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Financial reports and audited financial statements, and reports of the Board of Auditors

Implementation of the recommendations of the Board of Auditors

Report of the Secretary-General

I. Introduction

1. In paragraph 7 of its resolution 48/216 B of 23 December 1993, the General Assembly requested the Secretary-General and the executive heads of the United Nations organizations and programmes to report to it, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, on measures taken or to be taken in response to those recommendations.

2. The present report has been prepared accordingly, on the assumption that all of the recommendations made by the Board of Auditors in its report on the biennium ended 31 December 1997[1] would be approved by the General Assembly at its current session. Information is provided on measures taken or to be taken to implement the recommendations of the Board of Auditors, including a timetable where appropriate.

3. In preparing the present report, account was also taken of the provisions of General Assembly resolutions 49/216 A of 23 December 1994, in particular paragraphs 9 and 10, 49/216 B, paragraphs 3 and 4, 49/216 C, paragraph 3, 50/204 A of 23 December 1995, paragraph 4, 51/225 of 3 April 1997, section A, paragraph 10, and 52/212 B of 31 March 1998, paragraphs 3 to 5.

II. Previous recommendations not fully implemented

4. In paragraph 9 (a) of its report,[1] the Board observed that the recommendation previously made by the Board to address the deficiencies in hiring, granting remunerations and performance evaluation of experts and consultants had not been fully implemented by the Administration.

5. The recommendation was reflected in the guidance and monitoring by the Office of Human Resources Management in regard to the appointment of consultants by the substantive offices. The report of the Secretary-General on the use of consultants to be issued during the fifty-third session of the General Assembly will contain guidelines in regard to both the selection and terms of reference of consultants.

6. In paragraph 9 (b), the Board observed that the recommendation previously made by the Board to develop and implement a career development system had not been fully implemented by the Administration.

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7. As noted in paragraph 112 of the Board's report, actions taken by the Administration in line with this recommendation included establishing a career development policy emphasizing that responsibility for career growth and development must be a joint effort by the staff member, the manager and the Organization, and putting in place a number of career support mechanisms including new staff development programmes, intensive people management training and career planning workshops. Further career support initiatives were being developed in the context of the Secretary-General's overall review of the Organization's management of human resources.

III. Implementation of recommendations contained in paragraph 11 of the report of the Board of Auditors

8. In paragraph 11 (a), the Board recommended that the Administration improve monitoring to ensure that final expenditures by each section and responsibility centre are as close as possible to the allotments issued for the biennium.

9. The Administration will take appropriate measures to enhance further the monitoring of expenditures against allotments. It should be stressed, however, that ensuring that final expenditures are as close as possible to the allotments at the beginning of the biennium will be difficult. In practical terms, allotments at the beginning of the biennium are given for one year, not two. It would be impossible, therefore, for final expenditures to be close to the initial allotment. In addition, there can be substantial adjustments in the budget in the context of the first and second performance reports on account of currency fluctuations. These affect the initial budget and make it a dubious point of departure for comparison purposes. The Controller is responsible for improving the monitoring of expenditures against allotments.

10. In paragraph 11 (b), the Board recommended that the Administration integrate all accounting systems with the Integrated Management Information System (IMIS).

11. Since IMIS has not yet been implemented at the offices away from Headquarters, they must continue to use general ledger codes that their respective systems are programmed to accept. Until IMIS is implemented at those locations, the budgetary information for the offices away from Headquarters has to be processed in the existing general accounting system. From that system, information is electronically fed through interfaces into the budget information system and IMIS. In preparation for the implementation of IMIS, offices away from Headquarters have been provided with the IMIS chart of accounts to be used in the conversion of their accounts. The responsibility for implementing this recommendation belongs to the Controller and the Assistant Secretary-General for Central Support Services. The implementation of IMIS at offices away from Headquarters, excluding peacekeeping missions, will begin in the first quarter of 1999 and is scheduled to be completed by the end of that year.

12. In a related recommendation, in paragraph 11 (c), the Board further recommended that the Administration modify Release 3 of IMIS to avoid the necessity of introducing substantial adjustments of accounts receivable and accounts payable outside IMIS; provide detailed information about debtor/creditor identity in respect of each item of accounts receivable and accounts payable; and enable the Organization to actively pursue recovery, especially in long-outstanding accounts.

13. In order to address this issue, a thorough review of how receivables and payables are processed in IMIS was undertaken, on the basis of which a proposal for additional general ledger codes and corresponding posting rules in IMIS was made to ensure better management of receivables and payables. Furthermore, an offset report for the June 1998 financial reporting allows the identification of balances relating to individual payees and to the netting of those balances, where appropriate, for reporting purposes, as well as providing information allowing adjusting entries to be recorded in the system. Various changes to IMIS will be progressively implemented. It is envisaged that this recommendation will be implemented by mid-1999, with the Controller and the Assistant Secretary-General for Central Support Services being responsible for implementation.

14. In paragraph 11 (d), the Board recommended that the Administration plan its major maintenance work sufficiently in advance in order to avoid exigency contracts, to give adequate time for the approval process, to obtain competitive bids and to have sufficient time to vet the background of the contactors and vendors.

15. It should be noted that owing to the age of the buildings, an inordinate amount of emergency projects had to be undertaken. The lack of appropriate funding for such projects, aggravated by budgetary reductions in the prior biennium, resulted in deferring totally or partially a number of planned maintenance and repair projects over several bienniums.

16. In line with this recommendation, the Administration started in 1997 to develop a long-term capital master plan with a view to ensuring a rational framework and organized sequence of construction work required to upgrade and maintain the 50-year-old facilities over the next 25 years. The capital master plan will schedule repairs so as to prevent problems of competing priorities and resorting to emergency projects. The plan will be finalized by the end of 1998 and updated as necessary. Its actual implementation will be subject to the availability of funds. It should also be noted that orderly planning notwithstanding, one should be mindful of the fact that because of the age of the buildings, the need for emergency repairs will continue. The Administration intends to develop an acceptable design and procurement methodology for dealing with such emergencies. A system is currently in place to determine the eligibility of suppliers to participate in procurement conducted by the Secretariat. In addition, it is incumbent upon each procurement officer in each case to determine that the prospective awardee is responsible. Dun & Bradstreet provides a tool for making this determination. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

17. In a recommendation related to procurement management, in paragraph 11 (e) the Board recommended that the Administration ensure that prospective bidders have sufficient time to respond. The Administration concurs with this recommendation and will seek to ensure sufficient time for offerors to submit their bids or proposals. The actual time allowed will vary with the procurement requirement – its complexity, urgency and criticality among other factors – but the Administration will always seek to ensure that no interested eligible supplier is denied an opportunity to compete because insufficient time is available. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

18. In a related recommendation, in paragraph 11 (f), the Board recommended that the Administration include guidelines for open tendering in the Procurement Manual and specify in the Manual the frequency at which the Supplier Review Committee should review the evaluation of potential suppliers.

19. The Administration concurs with the recommendation. As noted in paragraph 103 of the Board's report, the relevant revisions will be reflected in the future updating of the Manual. It is envisaged either to expand this section or to add a new one containing more detailed guidelines specifying under what conditions public advertisement can enhance the efficiency of procurement, including the time-frame of the procurement process, complexity of requirements, etc. The Assistant Secretary-General for Central Support Services is responsible for implementing this recommendation.

20. In paragraph 11 (g), the Board further recommended that the Administration finalize the special emergency rules and procedures on humanitarian assistance without further delay. The Administration fully concurs and will ensure that the guidelines are finalized by December 1998. The Assistant Secretary-General for Programme Planning, Budget and Accounts is responsible for implementation of this recommendation.

21. As a result of its review of human resources management, the Board recommended, in paragraph 11 (h), that the Administration formulate and implement a strategy for career development without further delay.

22. In the context of the Secretary-General's overall reform programme and with the assistance of the Human Resources Task Force, the Organization is currently developing a number of career support mechanisms based on the concept of shared responsibility for career progression. The Organization is committed to providing a framework of opportunities; managers will be expected to take responsibility for developing their staff (this is being reinforced through the Performance Appraisal System); and staff, in turn, must be flexible, mobile, committed to professional development and ready to take advantage of opportunities available to them for continuous learning. Career support initiatives under way include development programmes for staff at all levels, mechanisms to facilitate mobility and tools to assist staff in career planning and managers in providing career support to staff. The Assistant Secretary-General for Human Resources Management is responsible for implementing this recommendation.

23. In paragraph 10 (i) of its report, the Board recommended that the Administration undertake a review to see whether the elimination of 59 posts as envisaged when the United Nations Office at Nairobi was established was actually achieved.

24. The total number of posts in the administrative structure was reduced by 59, as reflected in the budget document. The United Nations Environment Programme (UNEP), the United Nations Centre for Human Settlements (Habitat) and the United Nations Office at Nairobi were reduced, as both UNEP and UNCHS experienced a reduction in the level of voluntary contributions. The Administration will undertake a review to confirm this. The Director-General of the United Nations Office at Nairobi is responsible for implementation.

25. In paragraph 10 (j) of its report, the Board recommended that the Administration consider establishing a system whereby users of common services should be required to pay for such services on a cost-apportionment basis.

26. The Administration concurs with the recommendation and will address it in the course of the ongoing review of the common services throughout the Organization.

27. In a related recommendation, in paragraph 11 (k), the Board advised the Administration to request the United Nations offices at Geneva and Vienna to adopt the set of key performance indicators proposed by the Secretary-General for conference services and develop performance indicators to cover other services.

28. The Administration concurs with the recommendation and intends to pursue the matter in consultation with offices away from Headquarters in the context of the overall review of common services. The Assistant Secretary-General for Common Support Services is responsible for implementing this recommendation by July 1999.

29. In paragraph 11 (l) of its report, the Board recommended the establishment of the conference centres of the Economic Commission for Africa (ECA) and the Economic and Social Commission for Asia and Pacific (ESCAP) as separate cost centres, with all costs associated with their operation apportioned to them for more accurate determination of their profitability.

30. The recommendation is noted. The Administration will study the feasibility of its implementation and, if that proves feasible, submit proposals on the financial modalities for the operation of the conference centres of ECA and ESCAP to the General Assembly at its fifty-fourth session.

31. In paragraph 11 (m) of its report, the Board recommended that the Administration monitor and accelerate the pace of preparedness for managing the year-2000 issue; completely test for compliance all systems, including those that are considered year-2000 compliant because of their recent development, with sufficient lead time to address any deficiencies, to avoid any surprise at the turn of the century, test IMIS for year-2000 compliance; formulate contingency plans for all critical systems.

32. The recommendation is in line with the Administration's plan of action, based on the project-oriented approach, which includes also the development of contingency plans, as necessary. All necessary measures, including the upgrading of systems software and applications, will be taken to ensure full preparedness for year-2000 compliance. The Under-Secretary-General for Management is responsible for implementing this recommendation.

IV. Implementation of recommendations contained in the body of the report

33. In addition to the above-mentioned main recommendations, the Board made other specific recommendations throughout the body of the report.

34. In paragraph 23 of the report, the Board urged the Administration to consider further the Board's recommendation made in its report for the biennium 1994–1995 that the budget performance reports presented to the General Assembly be modified to reflect the actual expenditures and projections closer to the end of the biennium in the context of IMIS Release 3. The Administration will keep the feasibility of implementing this recommendation under review in the light of the availability of resources for this exercise.

35. Concerning inter-office vouchers, the Board, in paragraph 48 of its report, recommended that: (a) United Nations Headquarters review the level of supporting information provided with inter-office vouchers to ensure that sufficient details are included to enable the transactions to be verified and properly recorded; (b) United Nations Headquarters and the United Nations Office at Geneva monitor and reconcile the inter-office vouchers on a more regular basis so that by the end of a given financial period such transactions would be properly reflected in the accounts; and (c) the financial statement show the inter-office vouchers in gross terms, properly classified as transactions awaiting processing.

36. The Administration concurs with this recommendation. It should be noted that at the beginning of IMIS implementation, there were extensive backlogs in submitting inter-office vouchers and supporting documentation to overseas offices. Ongoing dialogue with overseas offices has alerted Headquarters to the nature of the difficulties connected with the introduction of IMIS, and every effort has been made, including issuing guidelines to ensure that complete supporting documentation is provided, as mentioned by the Board, to batch the inter-office vouchers and supporting documentation with a greater frequency and clarity. Currently, a thorough review of inter-office voucher processing is being undertaken with a view to simplifying the process and improving it as necessary. The Controller

is responsible for implementing this recommendation by the end of 1999.

37. In regard to cash management at the United Nations Office at Nairobi, the Board recommended, in paragraph 50, that cash flow forecasting statements be prepared and effectively used as a tool for cash management. The Administration will take appropriate measures to improve cash management, including enhancements to the Office's existing cash forecast system, full utilization of interest-bearing accounts and investment of surpluses in short-term investments in order to maximize interest generation. The Director-General of the United Nations Office at Nairobi is responsible for implementing this recommendation.

38. Concerning advances to executing agencies, the Board's recommendation in paragraph 57 of its report was that the Administration review the status of outstanding advances, particularly the old items, and obtain the relevant accounts, and that the Administration also institute measures to ensure that executing agencies provide accounts on a regular basis. The recommendation is in line with the measures undertaken by the Administration. In addition to the periodic reviews that are being conducted, an increase is envisaged in the frequency of follow-ups with agencies through the substantive departments and offices of the Secretariat.

39. Concerning bank reconciliation, the Board recommended, in paragraph 63 of its report, that ECA and the United Nations Office at Nairobi ensure that bank reconciliations are brought up to date and that non-reconciling items are promptly investigated for the necessary adjustments to be made in the accounts. The Administration concurs. Work on updating the backlog in bank reconciliations is progressing according to schedule.

40. Regarding the Gift Centre, the Board recommended, in paragraph 69, that the Administration resolve the matter regarding the sale of inventory without further delay. The implementation is in progress. Since the difference between the book value of the inventory and the price that the contractor offered for it in view of the non-saleability of some items is a contractual issue, the matter is being presented to the Headquarters Committee on Contracts for a decision. The Assistant Secretary-General for Central Support Services is responsible for completing the implementation by December 1998.

41. Concerning the procurement of recycled paper, the Board's recommendation, in paragraph 82 of its report, was that requisitioning departments not be permitted to specify manufacturers to help ensure full competition and better value for money spent.

42. The recommendation is noted. It should be recalled, however, that the requirements of the United Nations Postal Administration (UNPA), for example, are very particular and exacting in regard to paper used for postage stamps. While the products of some of the mills might be technically in line with the specifications, they might not satisfy the very strict requirements of security printing. As a result, a particular mill or paper producer may be requested not to bid.

43. In regard to the Integrated Library Management System, the Board recommended, in paragraph 87 of its report, that since the Integrated Library Management System project had been considerably delayed from the time the General Assembly authorized it during the biennium 1992–1993, the Administration should ensure that its full implementation is achieved without further delay. In line with the recommendation, the full implementation of the System was to be achieved in August 1998, when its last module, circulation, was to become functional.

44. Concerning advance payments on contracts at the United Nations Office at Nairobi, the Board recommended, in paragraph 89 of its report, that the Administration ensure that the reasons for advance payment be recorded. The recommendation has been implemented and the Administration has ensured that written justifications are on file.

45. Concerning procurement in offices away from Headquarters, the Board recommended, in paragraph 96 of its report, that the Administration ensure that instructions and the provisions of the Procurement Manual are adhered to and that economies of scale are obtained where possible. The recommendation is in line with the Administration's efforts to strengthen oversight in regard to the delegation of authority to the offices away from Headquarters on procurement and to maximize the benefits of consolidated procurement.

46. In regard to the payment of value-added tax by the Economic Commission for Latin America and the Caribbean (ECLAC), the Board recommended, in paragraph 98 of its report, that the Administration make efforts to recover the taxes improperly paid and make further attempts to resolve the issue of the tax payment on purchases with the national Government. The Executive Secretary of ECLAC will pursue the matter accordingly.

47. In paragraph 123, the Board recommended that the Administration ensure full compliance with the established instructions on engagement of consultants. The recommendation is accepted and will be reflected in the guidance and monitoring provided by the Office of Human Resources Management in regard to the appointment of

consultants by the substantive offices. The report of the Secretary-General on the use of consultants to be issued during the fifty-third session of the General Assembly will contain guidelines in regard to both the selection and the terms of reference of consultants.

48. Concerning staff recruitment and appointment, the Board recommended, in paragraph 144 of its report, that the United Nations Office at Geneva and the United Nations Office at Vienna record actions taken in the recruitment or appointment of staff so that delays can be identified, causes analysed and appropriate remedial action taken. The recommendation is being implemented through the further refinement of the appointment and promotion process and the institution of record-keeping on the progress of each case through the different phases of the recruitment process in order to analyse the causes of delay and to further streamline the process.

49. In regard to the United Nations Compensation Commission (UNCC), the Board recommended, in paragraph 172 of its report, that UNCC invite its Governing Council to review the basis of the processing fee that Governments are entitled to deduct from payments made to claimants to compensate for the costs they incurred. It is expected that the Executive Secretary of UNCC will draw the recommendation to the attention of the Governing Council of the Commission at its December 1998 meeting.

50. Concerning project management at ESCAP, the Board recommended, in paragraph 214 of its report, that the administration of ESCAP ensure that appropriate staff are allocated to projects after priorities have been identified. ESCAP has taken concrete action, in line with this recommendation, in the context of the project formulation exercise for 1999.

51. In connection with the fraud case at the United Nations Conference on Trade and Development (UNCTAD), the Board recommended, in paragraph 224 of its report, that UNCTAD introduce allotment procedures for its trust fund projects. The recommendation is being acted on by UNCTAD and is envisaged to be fully implemented by March 1999.

V. Implementation of recommendations contained in the annex to the report

52. In reviewing actions taken to implement the recommendations of the Board of Auditors in regard to the biennium ending 31 December 1995, the Board made, in the annex to its report, a number of follow-up recommendations, which are addressed below.

53. Concerning its earlier recommendation to modify the budget performance reports to be more reflective of expenditures and performance at the end of the biennium, the Board suggested, in paragraph 15 of the annex, that the Administration re-examine the matter in the context of its efforts to generate the budget performance reports with the help of IMIS. The Administration concurs and will pursue the matter.

54. In regard to the selection of consultants, the Board noted in paragraph 55 of the annex that the Board expected that the Administration would specifically address the issues of recruitment of consultants on a competitive basis and on a "sole candidate" basis as well as methods of ensuring a wider geographical base of consultants. The implementation of this recommendation will be reflected in the Secretary-General's report on the use of consultants to be issued during the fifty-third session of the General Assembly.

Notes

[1] To be issued as *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. I, chap. II

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Implementation of the recommendations of the Board of Auditors concerning United Nations funds and programmes

Report of the Secretary-General

Addendum

I. Introduction

1. In its resolution 48/216 B of 2 December 1993, the General Assembly requested the executive heads of the United Nations funds and programmes, at the same time as the recommendations of the Board of Auditors were submitted to the General Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate measures that would be taken to implement those recommendations, with appropriate timetables.

2. The Secretary-General has the honour to transmit to the General Assembly the responses of the executive heads of organizations and programmes, namely, the International Trade Centre UNCTAD/WTO (ITC), the United Nations University (UNU), the United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), the United Nations Institute for Training and Research (UNITAR), the voluntary funds administered by the Office of the United Nations High Commissioner for Refugees (UNHCR), the Fund of the United Nations Environment Programme (UNEP), the United Nations Population Fund (UNFPA), the United Nations Habitat and Human Settlements Foundation, the Fund of the International Drug Control Programme (UNDCP) and the United Nations Office for Project Services. Unless otherwise stated, these responses relate to the recommendations of the Board of Auditors in its reports for the period ended 31 December 1997.

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II. Replies from United Nations organizations and programmes

A. International Trade Centre UNCTAD/WTO

The actions taken or to be taken to implement the recommendations of the Board of Auditors in its report on the accounts of ITC for the biennium ended 31 December 1997[1] are set out below.

Board recommendation	*Action initiated*
Financial issues: United Nations accounting standards	
ITC, in liaison with United Nations Headquarters, should review the accounting treatment of deferred charges and deferred income to ensure that it is consistent with best accounting practice (para. 13).	ITC has been in consultation with the Accounts Division of the Office of Programme Planning, Budget and Accounts at United Nations Headquarters on the accounting treatment of deferred charges and deferred income for financial reporting. In fact, ITC follows the general practices applied by the United Nations in its financial reporting. ITC was informed that the matter would be brought up for discussion at the meetings of the Consultative Committee on Administrative Questions Working Group on Common Reporting Standards during the biennium 1998–1999.
Management issues	
1. Technical cooperation projects and programmes	
ITC should issue guidance on the enterprise-oriented approach to ensure that enterprise projects are designed and implemented on a clear and consistent basis (para. 29).	Updated guidelines will be issued before the next session of the Joint Advisory Group in April 1999.
ITC should include in the resource mobilization strategy clear objectives for widening the Centre's funding base and targets against which to measure achievements; specify when and how it would engage existing and potential donors; and set clearly defined responsibilities for the strategy's implementation (para. 33).	A resource mobilization strategy is being formulated whereby donor preferences are analysed against the backdrop of technical cooperation needs and new approaches are emphasized, such as the establishment of the Common Trust Fund for the joint ITC/United Nations Conference on Trade and Development/World Trade Organization Integrated Programme for African Countries; new alliances with partners and non-traditional donors; the search for new points of entry both in the field and in donor countries; and cost-sharing by the beneficiaries. The potential role of the Global Trust Fund will remain a key element of the strategy. Objectives will be set in terms of diversification of the sources of funding (rather than quantitative targets that might not be meaningful). Specific initiatives with a timetable will be singled out. The strategy paper is expected to be available at the next session of the Joint Advisory Group in April 1999. In the meantime, the question of the respective responsibilities of the Programme and Resources Section and of the substantive units in mobilizing resources for specific projects will be clarified on a priority basis.

Board recommendation	*Action initiated*
ITC should ensure that project documents are of a consistent standard, supported by assessments of need, and incorporate frameworks to facilitate effective monitoring and evaluation (para. 38), and ensure that, as part of project design, suitable arrangements are made to collect basic data to help facilitate future assessments of project impact (para. 43).	ITC agrees with the recommendations and is giving increased attention to the full application of established policies and procedures within the framework of the Project Appraisal and Clearance Committee processes. Interdivisional meetings where individual project proposals are reviewed serve this purpose. Further steps are being taken to improve ITC approaches and tools for needs assessment and project design. The Board's findings and recommendations will be brought to the attention of ITC staff, and relevant guidelines, training and coaching will be provided.
ITC should develop, as a priority, corporate performance indicators and a system through which achievements could be recorded and aggregated to provide an annual assessment of impact (para. 49).	ITC will make systematic assessments of the results of its work at the level of outputs. To this effect, the first modules of the Corporate Management Information System, which are expected to be operational in January 1999, will record all individual outputs of the entire ITC programme of work in relation to a number of defined "corporate outputs". In addition, ITC will seek to obtain more feedback on the impact of its work in relation to a limited number of "corporate impact indicators", as recommended by the Board. The main concern of ITC, however, is to set out meaningful indicators that can be monitored through a manageable and credible system for the gathering and analysis of data. The system will be elaborated during the second half of 1998 and tested during 1999.
2. Research and development	
ITC should ensure that its publication proposals include justification of need and resource implications (para. 55).	The ITC standard format for submissions of new publication proposals to the Publications Board, which contains a number of other elements required for the consideration of proposals, has been in use for several years and has been particularly valuable in the appraisal and approval of such proposals by the Board. More emphasis is now being give to the justification of need and resource implications. Publication proposals must be consistent with the core service or sectoral strategies endorsed by ITC management.
ITC should review its procedures for determining the number of publications to be printed, with a view to reducing the level of excess stocks (para. 59).	The ITC Publications Board is reviewing the question of the press run for publications and has taken steps to reduce the number of copies of language versions in lower demand. At its meeting of 12 August 1998, the Board decided to reassess press run figures for remaining 1998 publications, in particular for French and Spanish versions. This measure should result in cost savings in printing (and also possibly in translation) and reduced stock levels. The question of press run figures will be kept under constant review by the Board.

Board recommendation	*Action initiated*
ITC should improve its planning and prioritization of research and development work, adopt a more prudent approach and strengthen its management of contractors to assure timely delivery of outputs (para. 61).	ITC operates in a fast-moving environment, and frequent adjustments to the work programme are required to keep it fully relevant, at all times, to its clientele – the business sector (new requests, upcoming events, etc.). Notwithstanding this, ITC management will continue to critically review the proposed work plans of individual units (including the research and development components and the inputs to be provided by contractors) so that the approved ITC annual operations plan will continue to be a useful and realistic management tool. As from 1999, the Corporate Management Information System will record the reasons for deviations from the original plan.
ITC should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 65).	ITC plans a general review of all systems and applications for validating year 2000 compliance during the first half of 1999.

B. United Nations University

Measures taken by UNU in regard to the recommendations made by the Board of Auditors in its report for the period ended 31 December 1997[2] are as follows.

Liabilities on account of end-of-service benefit

The audit recommendation is noted and accepted. The University will make an appropriate disclosure in the notes to the financial statements for the biennium 1998–1999.

Unpaid pledges

The audit recommendation is noted and accepted. The University will include a provision in the financial statements for the biennium 1998–1999 for the long-outstanding unpaid pledges in line with United Nations accounting standards.

Declining level of pledges

The audit recommendation is noted. In recent years, UNU has not established new research and training centres, which come into existence only with pledges of endowment and operating support paid over a number of years. In fact, the peak in pledged amounts in 1992–1993 relates primarily to remaining pledges for the endowment fund earmarked for the UNU International Institute for Software Technology, the last endowed UNU research and training centre to be established.

The University believes that enhanced pledges can be generated only through the development of high-quality projects and initiatives, and in this regard the University is seeking to enhance its "revenue-enhancing" capacity by strengthening academic staffing, particularly at the UNU Centre in Tokyo. The University is also developing a strategic plan for the period 1999–2002, which will include strategies for raising and assuring the quality of UNU academic work as well as for mobilizing additional resources for UNU work. The Rectorate will also be submitting to the Governing Council, in December 1998, a fund-

raising strategy containing specific approaches for raising and leveraging financial and other support for UNU academic activities.

Agreements with consultants and institutions

The audit recommendation is noted. The University continues to try to achieve a measure of geographical and gender balance wherever possible in the selection of consultants and meeting participants in the University's activities, taking into account the nature of its activities and the resources available. It must be pointed out, however, that tabulating the nationality of consultants and institutions only on the basis of whether they come from a developing or developed country provides a skewed view of participation in UNU activities. It does not take account of considerations related to institutional efficiency, the type of work or the location where the work is to be carried out. If assignments relate to work (academic or administrative) at the UNU Centre or one of the research and training centres (most of which are located in industrialized countries), then it would likely be more efficient and cost-effective to engage a consultant or institution locally. In short, engaging consultants and institutions is determined largely by the location of UNU units, most of which are located in industrialized countries. For an analysis of the developing country versus industrialized country consultant/institution ratio to be meaningful, it would be necessary to look closely at the work assignment with a view to determining whether the work must be carried out at a UNU duty station or could be awarded to a consultant/institution elsewhere. Certainly in the latter category, priority should and will be given to awarding contracts to persons or institutions in developing countries.

Delay in completion of consultancy work

The audit recommendation is noted and accepted. The University will reassess the need for these long-outstanding assignments and will review periodically the contractual situation.

Personnel

The audit recommendation is noted and accepted. As stated in the University's response to the audit observation, the University Centre in April recruited two vice-rectors and one senior advisor to the Rector, and it will appoint one personnel officer and two programme officers in July and September, respectively. It is expected that other vacant posts will be filled during the biennium 1998–1999.

United Nations University headquarters building

The audit recommendation is noted and accepted. The University stated clearly in the 1998–1999 biennial programme and budget that its policy was to bring the net cost to UNU of the headquarters building to zero. This will be achieved by optimizing use of space and by obtaining additional income from non-UNU occupants and users of conference facilities, as well as by reducing expenditures for maintenance.

C. United Nations Development Programme

The actions taken or to be taken by UNDP to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[3] are set out below.

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
Programme expenditure incurred by Governments and executing agencies			
Audit reports from Governments			
1. The Board recommends that UNDP retain for at least two bienniums all audit reports received on national execution expenditure to enable the Board to complete its audit of those reports that had not been received in the previous biennium (para. 20).	UNDP agrees with the recommendation.	In the future, UNDP will archive the audit reports, applying the standard procedure for all financial records.	December 1998
Inventory control of non-expendable property			
2. The Board recommends that UNDP establish clear separation of duties between requisitioning, receipt of goods and maintenance of inventory records (para. 36).	UNDP agrees with the recommendation.	UNDP will establish clear guidelines on segregation of duties.	December 1998
Other income			
3. The Board recommends that the UNDP financial regulations be amended to require exchange losses arising other than from voluntary contributions to be charged as expenditure, as suggested by United Nations accounting standards, paragraph 29, and in line with practice adopted by United Nations Headquarters (para. 38).	There is no need for a change to the financial regulations; however, there will have to be a change to rule 104.3. UNDP has agreed with the Board to report gains/losses on a separate line in the income statement and provide a separate schedule in a note to the financial statements with the appropriate breakdown.	The proposed revised financial rule will be included in the comprehensive revision to the entire Financial Regulations and Rules in 1999.	December 1999
Cash management			
Cash management policies and guidelines			
4. The Board recommends that UNDP monitor returns on investments against prevailing market rates (para. 45).	UNDP agrees with the recommendation.	UNDP will establish appropriate benchmarks, through the Investment Committee, to be incorporated in its cash management policy and objectives.	Agreed by the Investment Committee on 12 August 1998
Advances to agencies			
5. The Board recommends that UNDP define a "reasonable period of foreseen cash requirements" for its	UNDP provides funding to United Nations agencies on a monthly basis, based on the agencies' forecast of delivery and cash flow	Already in place.	—

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
advances to agencies and regularly review the balances held (para. 52).	requirements. The levels of advances held are reviewed regularly and advance requests are denied when not satisfactorily justified. A "reasonable period of cash requirements" has been defined as current month's requirements plus one additional month's needs.		
6. The Board recommends that UNDP examine the scope for reducing the extent to which agencies are funded in advance, and where possible move to a system of reimbursing actual expenditure, thereby reducing cash flow risks and improving financial control (para. 53).	The current method of funding United Nations agencies on a monthly basis, with agencies holding between one and two months' cash needs, dates back to the earliest days of UNDP and has been functioning effectively. The Administrator does not believe that there is any scope for agencies to pre-finance UNDP programme activities against a reimbursement arrangement.	No further action required.	—
Premises management			
Management information			
7. The Board recommends that UNDP maintain information on occupancy levels of its headquarters buildings in order to help control and monitor costs (para. 67).	UNDP has already, in connection with the United Nations Development Group (UNDG) Sub-Group on Common Premises and Services, established certain information systems that will be maintained on a regular basis. Towards this end an agreement has been reached within the Sub-Group that all four partners will use a common software package (Aperture) to systematically capture headquarters and country office premises data elements such as cost, tenure, size, condition, occupancy, etc. This will allow the sharing of information among partners and meaningful analyses to be done on the basis of key performance indicators regarding premises management.	The database is under implementation.	December 1998

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
8. The Board recommends that UNDP develop and adopt key performance indicators to assess the effectiveness and efficiency of field offices and headquarters in managing their real estate. These indicators should include unit cost measures relating directly to the objectives specified in an estate management strategy (para. 68).	See comments in paragraph 7 above.	—	—
Common premises and services			
9. The Board recommends that UNDP finalize and issue the guidelines on common premises and services without delay (para. 71).	These initiatives will not be handled by UNDP separately but in a harmonized way under UNDG. The UNDG Working Group on Common Premises and Services is currently preparing guidelines for common premises. UNDG is working on final draft Consultative Committee on Programme and Operational Questions (CCPOQ) guidelines on common services (to be presented to CCPOQ in September 1998).	Completion date will only be known after the September 1998 CCPOQ session.	—
Rental arrangements and expenditure			
10. The Board recommends that UNDP strengthen its efforts to implement its current policy with regard to seeking rent-free office accommodation (para. 81).	This will be examined in consultation with the Bureau for Planning and Resource Management and the regional bureaux and in the context of UNDG efforts mentioned under recommendation No. 9.	—	—
Maintenance and alteration			
11. The Board recommends that UNDP prepare a forward plan for maintenance and alterations work to the premises its occupies (para. 84).	UNDP agrees with the observations of the Board.	In this connection, UNDP will establish corporate standards and guidelines to country offices on renovations, maintenance and alterations. A plan for forward maintenance for UNDP headquarters and country office premises will be articulated and proposed as part of the next budget proposal.	1999

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
Utilities expenditure			
12. The Board recommends that UNDP collect and analyse energy cost and consumption data for its premises, in order to facilitate comparisons and to identify wastage and excessive costs (para. 86).	In the context of the Green Office Initiative, UNDP has appointed a coordinator to undertake work on how to reduce energy costs in the buildings that UNDP occupies at Headquarters. This is an inter-agency effort and is being done in close cooperation with the Sub-Group on Energy Savings, which has been constituted under the auspices of the United Nations Inter-agency Task Force on Common Services. Recommendations will be included in the next budget proposal. UNDP will look into the possibility of formulating an energy management policy for both headquarters as well as for its country offices.	—	1999
Space planning and allocation arrangements			
13. The Board recommends that UNDP establish organization-wide standards for space occupancy, with standards flexed to take account of job function within grade (para. 89).	Agreed.	UNDP will develop a policy on space allocation that may include allocation not strictly on the basis of grade alone but possibly on the basis of job function within grade. The effort will also be supported by the introduction of the Aperture software mentioned in reference to recommendation No. 37.	1999
Information management systems			
Progress on the Financial Information Management and Integrated Management Information System projects			
14. The Board recommends that UNDP standardize its procedures for investment appraisal of information technology products to take full account of financial and non-financial benefits, as well as operational requirements (para. 99).	Agreed.	This is now required in all project documents.	Ongoing

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
15. The Board recommends that UNDP ensure that project status reports include summaries of project expenditure against lifetime and biennial budgets (para. 100).	Agreed.	UNDP will implement in all cases going forward.	1998
Financial Information Management			
16. The Board recommends that UNDP encourage country offices to begin operating the budget module at the earliest opportunity (para. 103).	Agreed.	Under active monitoring.	September 1998
Procurement of information technology services			
17. The Board recommends that UNDP ensure that future contracts provide for payments to be linked to the achievement of specific targets and goals (para. 117).	Agreed.	This will be monitored by the Advisory Committee on Procurement.	Ongoing
Year 2000 issue			
18. The Board recommends that UNDP ensure that all systems are tested for year 2000 compliance, with sufficient lead time to correct any deficiencies (para. 124).	Agreed.	All existing systems have been tested and new systems are being developed to be year 2000 compliant.	1999
Change management			
Cost estimates			
19. The Board recommends that UNDP establish clear arrangements for funding the full costs of the change management initiative (para. 135).	UNDP made a conscious decision to mobilize additional resources needed to carry out the change-related activities and has approached Governments that support UNDP efforts in this regard.	Projects under change initiatives requiring additional funding have been identified and costed. UNDP is actively pursuing donors to support those projects and has so far mobilized an indicative amount of $4.5 million.	December 1999
Change process management			
20. The Board recommends that UNDP assess the financial and non-financial benefits expected to flow from its change programme and use this assessment to carry out a full investment appraisal of the change initiative (para. 140).	UNDP agrees with the recommendation that the financial and non-financial benefits of the change should be fully assessed and analysed.	The planned comprehensive evaluation of the change process to be undertaken in July-September 1999 would include the investment appraisal element.	September 1999

Board recommendations	*UNDP response*	*Follow-up actions*	*Completion date*
Monitoring and evaluation of the change process			
21. The Board recommends that UNDP develop appropriate performance indicators and measures to assess specific change implementation activities, relating these directly to the main objectives of the change process (para. 150).	The 1998 UNDP Strategic Plan is based on the strategic agenda set by the UNDP 2001 initiative. It has fully integrated all key elements of the change process. Its success criteria and the linkage of results to the objectives of the change will provide a solid basis for a comprehensive assessment of the specific change implementation activities for 1998.	The planned assessment of the compacts at the end of 1998 and the review of the implementation plan and the strategic plan should allow UNDP to evaluate the objectives of the change process.	December 1999

D. United Nations Children's Fund

The measures taken or to be taken by UNICEF in response to the recommendations of the Board of Auditors in its report for the biennium 1996–1997[4] are described below.

Recommendation 1

1. UNICEF should strengthen the oversight responsibilities on the review of liquidation statements in respect of cash assistance to Governments to ensure that they are properly supported with complete details.

Measures taken by UNICEF

2. In line with the recommendation of the Board of Auditors, the administration has taken a number of steps to strengthen oversight responsibilities and ensure that cash assistance liquidation statements are supported with sufficient documentation. During 1997, many country offices undertook workshops in work process redesign and control self-assessment, which has offered opportunities to focus on improving cash assistance procedures with the assistance of regional office staff and internal audit. This has resulted in best practices being identified and disseminated. Training events will continue throughout the current biennium to reinforce written policy guidance and ensure implementation.

3. In addition, the administration is undertaking a comprehensive review of UNICEF financial regulations, rules and policies, including those pertaining to cash assistance to Governments. This will provide an opportunity to further strengthen policies and procedures in this area. The proposed changes will be submitted to the Executive Board, through the Advisory Committee on Administrative and Budgetary Questions, at its September 1999 session.

Recommendation 2

4. UNICEF should expand and intensify its fund-raising activities, particularly in the area of general resources, and strengthen the monitoring and control of expenditures.

Measures taken by UNICEF

5. The administration is exerting all efforts towards the expansion and intensification of its fund-raising activities consistent with the limitations imposed by staff and resources available for fund-raising efforts. The implementation of more efficient systems (i.e., the Programme Manager System and the Financial/Logistics System) in 1999 is expected to strengthen the monitoring and control of expenditures.

6. The administration is submitting to the Executive Board, at its September 1998 session, a report on the proposed resource mobilization strategy for UNICEF. The strategy aims at assuring increased core resources and finding a means of increasing burden-sharing among donors to UNICEF core resources. The secretariat will submit the final strategy to the Executive Board for approval at its first regular session of 1999.

Recommendation 3

7. UNICEF should strengthen its efforts to obtain formal receipts from Governments as evidence that supplies and equipment have been received.

Measures taken by UNICEF

8. In a memorandum dated 7 August 1998, the administration requested the field offices to update the Supply Division as to the measures taken to implement the recommendation. As of 18 August 1998, 51 field offices had responded. The responses included confirmation of: (a) compliance with the requirement to obtain formal receipts; and (b) establishment of effective tracking mechanisms as well as follow-up procedures within the office and with government counterparts.

9. In emergency situations or where the Government lacks facilities and/or the required capacity, UNICEF, in coordination with the Government, sometimes has to assume responsibility for the warehousing and distribution of supplies.

10. The secretariat will continue to monitor field office implementation of the recommendation and will update the Board of Auditors on the status in its future audits.

Recommendation 4

11. UNICEF should seek retrospective approval for the four projects added without the Executive Board's authorization.

Measures taken by UNICEF

12. The administration does not concur with the Board of Auditors in the interpretation of decision 1990/26 (E/ICEF/1990/13) that any changes to a list of countries contained in the paper would require Executive Board approval. The decision establishes a reserve fund for field office accommodation and specifies only that "75 per cent would be earmarked for field office accommodations, relating mainly to UNICEF participation in common premises with other United Nations organizations. The balance of 25 per cent would be used to acquire, if necessary, or renovate existing housing for international staff." Document E/ICEF/1990/AB/L.8 contains an annex estimating the proportionate share for UNICEF of 15 country projects proposed by the then Joint Consultative Group on Policy Sub-Group on Common Premises.

13. The administration will seek clarification from the Executive Board when it reviews the financial statements for the 1996–1997 biennium, which will contain the status of the reserve fund for field office accommodations.

Recommendation 5

14. UNICEF should ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies.

Measures taken by UNICEF

15. As noted by the external auditors, the administration has taken major steps to address the year 2000 problem. UNICEF is phasing out non-compliant legacy systems and will be implementing a field system and a headquarters system that are year 2000 compliant. In addition, the secretariat has taken the following actions:

(a) Issuance of administrative instruction CF/AI/1998/08, dated 17 April 1998, which requires UNICEF offices in all locations to obtain warranty of year 2000 compliance from equipment vendors;

(b) Issuance of administrative instruction CF/AI/1998/09 of 8 May 1998, which provides guidelines to assist all information technology officers at UNICEF offices in preparing for the year 2000 problem;

(c) The regular issuance, from May 1998, of a newsletter to inform UNICEF information technology staff worldwide of the progress of every item (software, hardware, firmware, etc.) with year 2000 implications. The newsletter features tables that document the compliance status of each item/vendor, product or service. The document is available on the UNICEF Intranet, while the narrative pages are posted on the United Nations Information Systems Coordination Committee Web page in order to share information among United Nations agencies.

16. In addition, the administration has planned for a simulation exercise to be undertaken in the first quarter of 1999 to test the status of all the preparations being made.

Recommendation 6

17. The administration should ensure that recruitment of consultants fully complies with established rules and procedures.

Measures taken by UNICEF

18. The administration will provide written guidance to all offices in September 1998 reinforcing that it is the responsibility of heads of offices to ensure that:

(a) The practice of competitive selection of consultants/contractors is followed;

(b) Contracts are signed before the commencement of any assignment;

(c) Signed copies of the contracts are retained by the offices concerned;

(d) Evaluations are prepared by the supervisor at the end of an assignment;

(e) Final payments are not made until the submission of the supervisor's evaluation attesting to the satisfactory completion of the assignment.

Recommendation 7

19. UNICEF should develop, in order to improve the financial performance of its greeting card and related operations, new marketing, advocacy and sales promotional strategies in order to increase the volume of its product sales and also increase its fund-raising.

Measures taken by UNICEF

20. The Greeting Card Operation (now known as the Private Sector Division) is in the process of restructuring. Once the structure is fully in place (expected early in 1999), its brand management strategy, focus on key markets and a harmonized product mix and communication strategy collectively will continue to contribute to generating incremental funds for UNICEF programmes.

Recommendation 8

21. The administration should establish a more frequent interval for the transfer of sales proceeds to UNICEF by the National Committees to improve the recovery rates of sales proceeds.

Measures taken by UNICEF

22. The early transmittal of proceeds from National Committees is always encouraged. However, when current recognition agreements are renegotiated starting in 1999, the administration will include, for consideration, a provision to ensure the earlier transmittal of proceeds. Further, the administration will advise partners that the provision for charging interest on arrears will be enforced.

Recommendation 9

23. The administration should ensure that all National Committees comply with the cash accounting reporting requirements.

Measures taken by UNICEF

24. In December 1997, the administration issued revised guidelines to further clarify reporting procedures and ensure increased uniformity and transparency.

Recommendation 10

25. The administration should recover a total of $1.45 million not accounted for by five National Committees.

Measures taken by UNICEF

26. The administration has reviewed the transactions that gave rise to the $1.45 million referred to by the Board of Auditors. The amount represents support funds provided to the National Committees, and the reports and records pertaining to them have now been reconciled.

Recommendation 11

27. The administration should take appropriate steps to establish responsibility with a view to recovering the loss incurred by UNICEF as a result of fraudulently recording transactions in a field office in the amount of $445,000.

Measures taken by UNICEF

28. The administration, under the supervision of the Office of Internal Audit and in conjunction with an international public accounting firm, undertook a comprehensive investigation of the case cited by the Board of Auditors, which involved loss of greeting card assets due to falsification of records. The administration obtained three legal opinions,

which recommended against pursuing action because of the low likelihood that there would be any financial recovery. The administration is taking appropriate and prudent action to prevent such misappropriation of assets in the future. The steps taken have included disciplinary action and non-renewal of several employment contracts, and transfer of greeting card activities to a reputable third party.

Progress regarding the status of implementation of the recommendations of the Board of Auditors on the UNICEF accounts for the biennium 1994–1995

Recommendation 11 (a)

29. The policy of recording cash assistance to Governments as programme expenditure at the time the funds are advanced should be reviewed for consistency with the definition of programme expenditure in UNICEF financial regulations and programme management procedures.

Measures taken by UNICEF

30. The administration is undertaking a UNICEF-wide consultation process to ensure that all areas relating to the financial policies that may be of concern are included in the review and revision of regulations specifically indicated by the Board of Auditors. The secretariat has issued a memorandum dated 10 August 1998 requesting all regional directors, representatives, assistant representatives and division directors to advise the Comptroller of any concerns and changes. The deadline for responses has been set for 15 October 1998.

E. United Nations Relief and Works Agency for Palestine Refugees in the Near East

The actions taken or to be taken by UNRWA to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[5] are described below.

Recommendations	*Proposed action*	*Deadline*
The allotments for specific purposes projects should only be issued after sufficient contributions have been received from donors. Donors who have not fully honoured their pledge obligations to the various projects should be requested to do so in order to ensure reimbursement of the General Fund (para. 14).	The External Relations Office at headquarters is closely monitoring advance authorizations and is constantly in touch with donors regarding unpaid pledges. The appointment of a new Chief of External Relations will bring a sharper focus to this matter in the coming months.	Ongoing
For more accurate and transparent financial reporting, UNRWA should disclose information on the changes in reserves and fund balances in its statement II in accordance with the requirements of the United Nations accounting standards (para. 22).	The Agency will implement the recommendations of the Board in the 1998–1999 biennium accounts.	1998–1999 biennium

Recommendations	*Proposed action*	*Deadline*
The statement of assets, liabilities and fund balances should be improved further to include the value of land and buildings. Also, the title deeds should be obtained and kept at headquarters to confirm UNRWA ownership of these assets (para. 25).	(a) Appropriate disclosure principles will be observed in accordance with the United Nations accounting standards.	(a) 1998–1999 biennium
	(b) Title deeds have been received by headquarters and are currently on file.	(b) completed
The Administration should provide the Finance Department with the required resources for the Department to function more efficiently (para. 30).	The Agency is concerned about the lack of resources available to the Department of Finance. The Agency is actively engaged in the recruitment of qualified personnel to fill vacancies in the Department of Administration and Finance. The staffing of vacancies will enhance efficiency in financial operations and contribute to facilitating the necessary "re-engineering" of some of its processes. The upgrading of the post of Treasurer to P-5 is a step towards the needed strengthening of the Financial Department, as is the appointment of an experienced officer-in-charge.	October 1998
The Administration should review its fund-raising strategies and closely monitor its donor agreement and contract award procedures (para. 36).	The Commissioner-General continues to pursue with donors the necessity for strong and committed financial support for the Agency. As to project management issues, maximum efforts will be exercised by functional managers to mitigate those factors over which the Agency has no direct control. Management will monitor these subjects by requiring periodic status reports from functional managers to the Management Committee.	Ongoing
The Project Monitoring Unit should be equipped with the required resources fro more efficient monitoring of UNRWA projects (para. 38).	Objectives and modalities on project management are under review by the newly appointed Chief of External Relations. The strengthening of project management is clearly at the forefront of the review so as to address the observations of the Board of Auditors.	December 1998
The Administration should comply fully with the established instruction that before projects are accepted the necessary land permits should be obtained (para. 41).	The Agency is cognizant of the need to establish absolute clarity as to land ownership rights in the project planning stage. However, problems often arise at a later stage, emanating from issues and aspects beyond the Agency's control.	Immediate
UNRWA should take steps to recover the amounts outstanding from donors and reimburse and General Fund the amount of $11.2 million spent on the European Gaza Hospital project (para. 49).	UNRWA is vigorously pursuing the matter with donors. It should be noted that funds had to be expended in advance of their receipt for donors so as not to stop ongoing construction or to incur legal indemnity payments. If such funds had not been made available by UNRWA, the longer term costs would have been higher.	Ongoing

Recommendations	*Proposed action*	*Deadline*
The procedures for the selection and award of contracts should be refined and the vendor's register should be updated in a timely manner to ensure that only competent contractors are considered for UNRWA projects. Also, the Administration should closely supervise its contracts to ensure that contractors' work meets the required standards, that cost and time overruns are avoided and that the clause on liquidated damages is strictly enforced (para. 57).	The Agency rigorously applies established contracting procedures. Contractors who qualify for projects but who underperform are subsequently not considered for other projects. Field contract committees are aware of past contractor performance in their evaluation and awarding of contracts. The Headquarters Committee on Contracts also reviews contracting processes. On the subject of project supervision, project managers are acutely aware of the Board of Auditors' comments and are maximizing their efforts to ensure that contractor performance meets required standards.	Ongoing
A decision should be made by the Provident Fund on investments with the countries that do not grant tax exemption tot he Fund. Also, more effective measures should be undertaken to recover the outstanding taxes withheld from the Fund (para. 61).	The final outcome of the Italian tax exemption application is still pending with the Italian authorities. The Provident Fund secretariat is following up this matter with the custodian, Northern Trust, which in turn is dealing with the Italian Ministries of Finance and of Foreign Affairs on this issue. At this time, the Ministry of Foreign Affairs is reviewing the position of the Ministry of Finance with a view to seeking an appropriate resolution within the framework of the privileges and immunities of the United Nations and its organizations. Once the position of the Italian authorities is made clear to the Agency, the Provident Fund secretariat will decide on a further course of action. As to the impact of this situation on the future investment strategy of Provident Fund assets, it is the opinion of the Provident Fund secretariat that any such investments in Italy will be contingent upon the potential for favourable returns, net of tax, if any.	
The audit manual should be revised to take account of the changes in the Agency's operations (para. 63).	UNRWA has obtained copies of the audit manuals used by the Office of Internal Oversight Services at United Nations Headquarters and by the Board of Auditors for comparison and incorporation of the most relevant and best practices. The revision process has commenced and will be completed by the end of 1998.	December 1998
In order to improve the efficiency of the internal audit staff, UNRWA should make budgetary provision for enhancing training of its internal audit staff (para. 66).	Assignments related to health centre operations, a major part of the health programme, are included int he approved 1998 audit plan, as is the special hardship programme (relief and social services), medical procurement, donor-funded projects and financial audits at field	Ongoing

Recommendations	*Proposed action*	*Deadline*
	locations. The Board of Auditors in March/April 1998 addressed financial audits at Headquarters locations. Budgetary control and education programme management will be considered in the 1999 plan.	
	UNRWA has been in contact with the Office of the Canadian Auditor-General and has the opportunity of drawing on its training expertise at a moderate cost. We are furthering such contacts for training in the next six months in selected topics, including investigations.	Ongoing
UNRWA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 69).	A questionnaire on the year 2000 compliance issue by the Board of Auditors was completed and returned.	May 1998
	In August 1998, memoranda were issued to:	August 1998
	(a) The Chief of the Supply Division requesting that the supplier of the Agency's Reality system be asked to certify that it is year 2000 compliant;	
	(b) Systems Administration in Vienna requesting information on the state of year 2000 compliance of the Agency's payroll IBM mainframe computer systems;	
	(c) Field directors alerting them to the year 2000 issue and requesting that year 2000 compliance certificates be obtained from vendors of equipment not falling under the Information Systems Office.	
	A review of the year 2000 issue is on the agenda for the Agency's field information systems officer meeting to be held in Amman for a review of field systems issues.	September 1998
	A task force is to be established to address the Agency-wide impact of year 2000 issues. A deadline for that task force to issue year 2000 compliance certification of all Agency equipment has been set.	July 1999

The prior year recommendations for the biennium ended 31 December 1995 are described below.

Recommendations	*Proposed action*	*Deadline*
An improvement in financial management is warranted in view of the fact that the present balance in the working capital is not enough to discharge fully its obligations (recommendation 10 (a)).	The Board of Auditors has consistently noted the steps the Agency has taken to ensure that donors are aware of the Agency's precarious financial position. The Board, in its report for the biennium 1996–1997, confirms that donor commitments must, as a minimum, be commensurate with the level of services required under the UNRWA mandate. Austerity measures and internal financial reforms will not in themselves be sufficient to restore an acceptable working capital base.	Ongoing
The Agency should ensure strict adherence to its programme management procedures on acceptance and disbursement of project funds, as well as reporting on them to assure donors of the effective utilization of their contributions (recommendation 10 (b)).	The appointment of a new Chief of External Relations will bring some stability and continuity to the function. Initiatives in project monitoring and reporting in 1996 will receive new impetus in the coming months.	Ongoing
In view of its implications for the General Fund's cash flow, the Agency may wish to review its policy of advance authorization of funds to pre-finance projects prior to receipt of contributions, by limiting its application and strengthening its monitoring (recommendation 10 (c)).	Donors are aware of the Agency's financial difficulties because of late payments during the implementation of projects. The practice of advance payments has been significantly reduced, with advances on residual projects being judiciously monitored.	Ongoing
For the purpose of transparency, the recording of an unutilized balance of cash contributions as income received in advance is not consistent with the Agency's policy of recognizing income on the cash basis of accounting (recommendation 10 (d)).	The recommendation was implemented in the 1996–1997 biennium.	N/A
UNRWA involvement in any project should be at the very start of the planning process to provide the necessary expertise in the development of a feasible project plan and realistic implementation schedules to expedite project delivery (recommendation 10 (e)).	Project planning, implementation, monitoring and reporting are interrelated and have been receiving due attention by all functional units. Initiatives recommended in 1996 will continue and be monitored through special internal progress reviews commissioned by senior management.	December 1998
Monitoring and reporting of deliveries of in-kind donations to Gaza General Hospital should be effectively coordinated between Headquarters, Vienna and the field office, Gaza, to facilitate their prompt accounting (recommendation 10 (f)).	The Agency's primary responsibility for hospital construction has been essentially completed. The receipt of further in-kind donations will become the responsibility of a new Gaza General Hospital Project Management Team, operating under the principal oversight of the European Union, the Palestinian Authority and the UNRWA Board	Ongoing

Recommendations	*Proposed action*	*Deadline*
To improve planning with appropriate consideration for sustainability, the Agency should develop a more effective system of consultation and coordination with all parties concerned (recommendation 10 (g)).	The Agency planning framework has always been to consult with concerned parties. The creation and staffing of a separate Policy Analysis Unit reflects the importance that management has given to strengthening support for the Agency's operations.	July 1998

F. United Nations Institute for Training and Research

The actions taken or to be taken by UNITAR to implement the recommendations of the Board of Auditors in its report for the year 1997[6] are set out below.

Summary of recommendations	*Measures taken or to be taken by UNITAR*
UNITAR should carry out periodic reconciliations between its accounting information system and the independent records of the United Nations Office at Geneva (para. 10 (a))	This recommendation will be implemented immediately and regularly.
UNITAR should taken action to clear inter-office vouchers identified as outstanding in the year-end reconciliation between UNDP and UNITAR accounting records (para. 10 (b)).	Many outstanding inter-office vouchers appear to be reported by UNDP but not received by the United Nations Office at Geneva. Neither do they appear in UNITAR files. Over the past few years, UNITAR has been trying hard to solve this matter. Several inter-office vouchers indeed remain outstanding mostly owing to the absence of answers from UNDP headquarters or field offices. With regard to the years prior to 1993, Financial Resources Management Services at Geneva faxed a request for urgent information in December 1994. It seems that no answer has yet been given. Until the end of 1998, UNITAR will continue to try to obtain all necessary supporting documents to settle this outstanding matter.
UNITAR should ensure that inter-office vouchers are immediately transferred to the United Nations Office at Geneva for recording (para. 27).	There are two main issues: (a) Inter-office vouchers totalling less than US$ 50: Paragraphs 2 and 3 of the UNDP Financial Manual (part I), Accounting policies, revised edition, December 1991, states that to avoid unjustified administrative costs, monthly inter-office vouchers to agencies totalling less than $50 must not be prepared (unless the resident representative has been instructed otherwise, e.g., in cases where payments have been specifically authorized or where debits or credits by inter-office vouchers are required for the records of the agency). Minor charges totalling less than $50 in a month may be accumulated and, when in excess of $50, may be charged by inter-office vouchers to the agency concerned, or, where this is not possible, may be absorbed by the field office budget.

Summary of recommendations	*Measures taken or to be taken by UNITAR*
	Several inter-office vouchers were not transferred because they totalled less than $50. Some of them have only one digit. Moreover, in the absence of clear justification, it is often difficult for UNITAR to identify against which project the charge should be made. Should the Board of Auditors agree, UNITAR is ready to write off any charges totalling less than $50 against the General Fund. It would be absurd and very costly to continue exchanging correspondence with UNDP offices for inter-office vouchers amounting to, for example, $3. It may also be worthwhile to check with UNDP headquarters if the above-cited rules are still in use and implementable.
	(b) Inter-office vouchers not attributed by UNDP field offices to specific programmes: UNITAR has received inter-office vouchers from the field mentioning, for example, $79.88 for March 1998 telephone charges, or photocopy charges for December 1997 to April 1998 totalling $64.16. The amounts are limited, although they do exceed $50. Since they are not attributed to one specific UNITAR programme, it is quite difficult to process them. UNITAR seems to have two possible solutions: for the pending inter-office vouchers exceeding $100, information will against be sought from UNDP offices, and they will remain pending a clear description of the expense. In order to clear remaining inter-office vouchers not exceeding $100, UNITAR could charge them to the General Fund, with the agreement of the Auditors. At the same time, UNITAR will write to all UNDP offices with which cooperation is ongoing, reminding them that they have to be more precise in the description of the expenditures and that reference should be made to the programme concerned.
UNITAR should seek clarification of the regularity of the planned promotion procedures from the Office of Legal Affairs before implementation (para. 10 (d)).	UNITAR agrees with this point. However, the promotion procedure is for the time being only a proposal. It is being studied by the UNITAR Board of Trustees, including by the recently established Appointments and Promotions Board.
UNITAR should document the performance assessment procedures to ensure transparency (para. 10 (e)).	This recommendation will be implemented immediately.
UNITAR should review its procurement operations in the light of the new procurement practices to be introduced by the United Nations Office at Geneva (para. 10 (f)).	The past experience of UNITAR with procurement at the Geneva Office has not been positive. Should the new procedure being introduced be efficient, not time-consuming and costly, UNITAR would consider seeking the services of the Geneva Office. Evidence of efficiency would be required, however, and UNITAR is currently satisfied with its own procurement procedures which, to quote the Board of Auditors, resulted in a quicker, improved service.

G. Voluntary funds administered by the United Nations High Commissioner for Refugees

The measures taken or to be taken by UNHCR in response to the recommendations of the Board of Auditors in its report for the period ended 31 December 1997[7] are described below. The implementation of the recommendations is continuous throughout 1998–1999 unless otherwise indicated. This information will be submitted to the UNHCR Executive Committee at its forty-ninth session in October 1998.

Financial management

Recommendation

1. Review the present method of recognition of income so that UNHCR accounting policies and practices follow the United Nations accounting standards (para. 16).

Measures taken by the Administration

2. One of the fundamental accounting assumptions contained in the general framework of the United Nations accounting standards is that an accrual basis of accounting for revenue is used, i.e., income is recognized when it is due and not when it is received. Accordingly, UNHCR follows the accrual basis of accounting for revenue and for expenditure, which provides for proper matching of revenues and costs. This is also in accordance with the generally accepted accounting principles and international accounting standards.

3. Paragraph 35 of the United Nations accounting standards states, however, that voluntary contributions to fund specific activities should be recorded only when received (cash basis of accounting). The current UNHCR system for recording income for special programmes is in accord with its financial rules, approved by the Executive Committee. The application of the cash basis of accounting to special programmes would have the following implications for UNHCR:

(a) UNHCR will not be able to undertake any of its other mandated activities, referred to as special programmes, until the cash is actually received. This will severely hamper the ability of the High Commissioner to finance those programmes and is likely to cause ineffective and inefficient operations, as the delay in receiving cash may require programmed activities to stop, then restart, then stop and restart again. This approach would represent a backward step in terms of the efficient and effective use of pledged resources;

(b) For UNHCR there is no difference in the collection rate or pattern between special programme pledges and general programme pledges that would justify recording income on a different basis. Good accounting practice requires income to be recognized when it can be measured reliably and it has a sufficient degree of certainty. Both of these criteria justify recognition of special programme pledges at the time the pledge is received;

(c) A consequence of following the audit observation would be that the accounting rules for recognition of income under general and special programmes would be different. Having two income recognition rules will add unnecessarily to the complexity of UNHCR internal accounting procedures.

4. In view of the above, UNHCR will request guidance from the Advisory Committee on Administrative and Budgetary Questions and its Executive Committee on the Board of Auditors' recommendation. UNHCR is of the opinion that its current practice, which is in accord with its financial rules, also corresponds to donors' intentions. UNHCR is also of

the opinion that the generally accepted accounting principles and international accounting standards do not distinguish as to the purpose of a contribution for its recognition as income.

Recommendation

5. Focus attention on timely review and cancellation of obligations no longer required (para. 32).

Measures taken by the Administration

6. As mentioned in the reply of UNHCR to the same recommendation made for 1996, the recently established Project Unit has been made responsible for reviewing the obligation levels and ensuring that obligations are cancelled as soon as they are no longer required. Unliquidated obligations are constantly under review and amounts no longer needed are immediately cancelled. Progress in this regard is reflected in the continuing decrease in the amount remaining as unliquidated at the end of the year and the percentage it represents as compared with total expenditures for the same year.

7. Notwithstanding those improvements, UNHCR will request its field offices, in the year-end closing instructions, to set out well-founded arguments when requesting the retention of unliquidated obligations. In the absence of such well-founded reasons, cancellations will be effected automatically at the time of the year-end closure of accounts.

Management issues

Recommendation

8. Ensure timely submission of sub-project monitoring reports and ensure that funds are disbursed to the implementing partners only when required (para. 43).

Measures taken by the Administration

9. Once project activities begin, implementing partners must submit sub-project monitoring reports when requesting an instalment. For a variety of reasons, implementing partners sometimes face difficulties in submitting this report quickly. Such problems include budgeting in more than one currency (whereby agencies may have to report in a local currency at the project site and in a second currency from their headquarters) and delays in receiving final invoices from vendors. UNHCR recognizes, however, that the problems resulting from late receipt of financial reports have increased as the number of implementing partners has grown and is taking the following steps to overcome them:

(a) A database has been established to monitor certain aspects of the performance of non-governmental organization partners, including their ability to submit audit certificates and timely financial reports. If agencies are unable to meet their contractual responsibilities in this regard, UNHCR will not sign subsequent agreements with them;

(b) UNHCR has already decided to withhold instalments, as from September 1998, to those agencies that have not complied with the initial request to submit the basic information needed for the establishment of the above-mentioned database.

Recommendation

10. Monitor more closely the timing of project delivery, particularly in those projects that are time critical (para. 58).

Measures taken by the Administration

11. There are many reasons why original project objectives have not always been met. Funds are often received late, which delays both the signing of sub-agreements and their subsequent implementation. Other reasons are the often difficult working conditions in which refugee programmes are implemented. This is particularly true for construction projects where problems of land ownership, lack of materials, an unskilled workforce, fluctuating prices and unsuitable weather conditions combine to make a 12-month project cycle often unrealistically short. UNHCR will continue to balance beneficiary needs against what can realistically be achieved when setting objectives, but targets will not always be met for complex initiatives in problematic areas.

12. Other delays in project implementation have been due to UNHCR internal procedures. These have largely been addressed and improvements made. The time required to prepare and dispatch letters of instruction has been significantly shortened. The programme cycle was changed in 1997 to facilitate this. Budget decisions are now taken early in the year to allow sufficient time to prepare implementing instruments. Field offices now have greater flexibility to revise budgets locally, which reduces the need to submit amendments back to headquarters. The circulation procedures at headquarters for new and revised letters of instruction have also been shortened. In the future, there should be few if any difficulties in having letters of instruction received in field offices by the beginning of each year, unless there are no funds available or there have been developments at the end of the preceding year that significantly changed the project objectives.

Recommendation

13. Take prompt and effective steps to ensure that adequate sex/age-disaggregated statistics are collected and used in the formulation of programmes for women (para. 64).

Measures taken by the Administration

14. The establishment of any assistance programme is based on the needs of the population, including women and children. For example, in a camp situation, those responsible for programmes concerning the nutritional status of children, vaccination or reproductive health collect the necessary information, including statistics on women and children, to establish, monitor and evaluate their programmes. Therefore, the sex and age distribution is known for most of the refugees who are living in developing countries where they are assisted by or through UNHCR. Increasingly, refugee statistics by sex and age groups are made available through UNHCR reports to the Executive Committee and in other documentation (see, for instance, *Refugees and Others of Concern to UNHCR, 1997 Statistical Overview*, tables 7 to 12). The use of sex-disaggregated information in programme planning is encouraged, *inter alia*, through the people-oriented planning training programme and will be enhanced by the new operations management system planning and implementation mechanisms. However, in most of the more developed countries where Governments are responsible for refugee registration and assistance, refugee statistics disaggregated by sex and age are usually not made available and/or not reported to UNHCR.

Recommendation

15. Encourage all field offices to respond to the High Commissioner's request so that it can make a full assessment of the work required and funds needed to implement the Machel report on refugee children (para. 69).

Measures taken by the Administration

16. In June 1998, a memorandum was issued to all representatives and chiefs of mission requesting that they provide a progress report on the implementation of their country-based Machel Study plans of action. As of 14 August 1998, 57 responses had been received indicating the level to which offices had managed to address those issues in their country programmes. Further steps have been taken to improve the response rate.

17. In the progress reports, numerous offices indicated that given the 1998 funding shortfall, they had to reduce their operational budgets, thereby curtailing Machel Study-related activities. Some country programmes, particularly those with major ongoing child protection concerns, have managed to maintain a priority focus on those issues despite diminished resources. Rwanda, though obliged to reduce its budget by 45 per cent, has maintained extensive programmes for unaccompanied children, as have Burundi and the Democratic Republic of the Congo.

18. A $4.23 million contribution from the United States Government has been especially helpful in ensuring implementation of Machel Study plans of action, in full partnership with non-governmental organizations. Those funds resulted from congressional legislation in the United States of America which appropriated up to $5 million in 1998 to support programmes initiated through UNHCR for at-risk refugee children. Contributions from Denmark, Norway, Sweden and the United States also enabled the Office to develop additional efforts linked to the Machel Study follow-up strategy, including the establishment of four regional policy officers for refugee children, the action for the rights of children training programme and conflict resolution and peace education initiatives. Similar contributions will be required to continue those efforts into 1999, allowing UNHCR compliance with the Board of Auditors' recommendation.

Recommendation

19. Develop a comprehensive monitoring and evaluation system to ensure that the concerns envisaged in the environmental policy are addressed adequately (para. 75).

Measures taken by the Administration

20. Efforts are being made to ensure that environmental concerns are appropriately incorporated into field operations through the inclusion of environmental components in the operations management system tools, the provision of environmental training to the staff of UNHCR and its implementing partners (starting in October 1998), the promotion of field model environmental projects, the support of field environmental workshops and the deployment of field environmental coordinators.

21. The Environment Unit has been able to monitor and evaluate environmental initiatives at the field level through the above-mentioned activities. A more comprehensive monitoring and evaluation system, however, is needed and will be developed as follows:

(a) The Environment Unit will initiate a survey during autumn of 1998 to ask relevant field offices how the environmental guidelines respond to their operational needs. The survey will cover all the field offices where environmental problems are envisaged, including those not covered by the above-mentioned activities;

(b) Depending on the result of the survey, it is also planned to establish a mechanism to more systematically monitor and evaluate the implementation of the environmental policy and guidelines.

Recommendation

22. Take prompt action to complete the installation of the MINDER assets tracking system in all field offices and implement all aspects of the system so that the records correctly reflect the assets held by UNHCR and with the implementing partners, and improve control over the physical assets (para. 90).

Measures taken by the Administration

23. UNHCR has conducted an analysis of the available data and the results show that approximately 90 per cent of the unrecorded assets are in 13 countries. The problem lies not only in the installation of MINDER but also in the physical check of inventory, or, more specifically, the lack of manpower for a full-time initial input/physical check of inventory. In the first phase, a two-person task force (one MINDER expert and one physical checker) will undertake a mission to each of the identified countries with a focus on carrying out a physical check of all assets and the setting up of MINDER, including the installation, the job input and training. The cost of those missions is estimated at $200,000, which is a minimal cost in comparison with the benefit to UNHCR. In a parallel phase, the Asset Management Unit will follow up from headquarters on a scheduled basis with the smaller country offices to ensure completion of their physical check and MINDER installation (i.e., it will focus on one country per week until the project is completed). Additionally, guidelines on a systematic approach to asset management will be produced (i.e., mandatory annual physical inspection, submission of diskettes to headquarters for consolidation and write-off procedures for items found missing during physical checks). In the second phase, regional training will take place for all country offices worldwide, not only to reinforce the training and procedures, but also to receive feedback from the field and make adjustments where appropriate.

24. Funding will be secured within existing resources and the plan will be implemented within the next six to eight months. The Asset Management Unit will soon start preparatory planning, such as briefing the task force, preparing MINDER technical requirements and working with each country office to finalize mission plans.

Recommendation

25. Ensure that all systems are tested for year 2000 compliance with sufficient lead time to address any deficiencies (para. 99).

Measures taken by the Administration

26. The year 2000 compliance activities commenced at UNHCR approximately one year ago. Activities were grouped around six main areas: personal computers, networks, core (host) systems, field systems, Intranet and telecommunications.

27. Significant work has already been completed in the field, where computer systems have been checked and, where necessary, are being upgraded. Good progress is also being made in core systems at headquarters. Many are in the testing stages. Field systems efforts are progressing steadily despite limited resources. The area of concern is in relation to networking, where plans for upgrading to Windows 95 and Netware 4x (compliant versions) are still being finalized.

28. The Office is confident, however, that system changes will be completed by the third quarter of 1999.

Other special audit issues

29. While the following issues were not raised by the Board of Auditors as specific recommendations requiring formal response and reporting, UNHCR is of the opinion that they merit some comment and that the views of the Executive Committee need to be sought.

Biennial reporting

30. In paragraph 18 of its report,[7] the Board of Auditors recalled that the General Assembly at its fifty-second session had endorsed the request of the Advisory Committee on Administrative and Budgetary Questions that the High Commissioner consult with the Board of Auditors on the implications of submitting biennial reports instead of annual reports.

31. Under the current reporting arrangements, most United Nations organizations report on a biennial basis, except for UNHCR, UNITAR and the peacekeeping operations, which report on an annual basis. In the case of UNHCR, this annual reporting is in conformity with the existing financial rules of the Office.

32. UNHCR reports annually to its Executive Committee, including the presentation of financial statements for the year just elapsed. For financial statements to be complete and meaningful, they must be audited and an audit opinion must be issued. This represents a safeguard for donors whereby funds received by UNHCR are certified as having been used for the purposes designated by donors, and, in addition, the financial statements are certified as presenting fairly the financial position of the organization at the end of the fiscal year.

33. UNHCR will seek guidance from the Executive Committee before engaging in further consultations with the Board of Auditors on this matter.

Implementing partners audit certification

34. In paragraph 21 of the report of the Board of Auditors,[7] the Board recognizes the progress made by UNHCR in securing the audit certificates to support advances made in earlier years. Nevertheless, it has suggested that UNHCR consider a further tightening of the six-month time-frame for their submission. In a conference room paper submitted to the Standing Committee of the Executive Committee at its 13th meeting, (EC/48/SC/CRP.41), a comprehensive update of actions taken on this matter was provided. Paragraph 7 of the conference room paper deals specifically with the time-frame issue.

35. UNHCR maintains that it is unreasonable, for a range of operational reasons, to request that implementing partner audit certificates be submitted in time for the Board of Auditors to be able to review them at the time that it carries out the audit of UNHCR for a given year. UNHCR recognizes that the availability of audit certificates at the time of the annual audit would facilitate the work of auditors in focusing their examinations. It should be recalled, however, that the accounts of UNHCR implementing partners are accessible for examination by UNHCR external and internal auditors at all times. Given the auditors' right to access such accounts, the audit certification of UNHCR should not be made contingent on the number of audit certificates available at the time of the audit exercise. UNHCR is committed to the submission of audit certificates by implementing partners, but within reasonable time-frames (which vary for the various categories of implementing partners), as indicated in the project agreements. The views of the Executive Committee would be appreciated on this issue.

Recording of advances to implementing partners

36. In the report of the Board of Auditors for 1996[8] and paragraph 22 of the report for 1997,[7] the Board noted the progress made by UNHCR in reconciling the amounts outstanding in the memorandum suspense account where UNHCR records advances to implementing partners from whom financial reports are due.

37. In this regard, the current situation is as follows:

(a) For projects implemented during the period from 1994 to 1996, the balance at 15 August 1998 was $61.3 million, as compared with $76.8 million when the audit report was issued and $442.6 million as at 30 June 1997;

(b) For 1997 projects, the balance of $176.63 million reported by the Board of Auditors has been reduced to $86.4 million.

38. UNHCR is pleased to report that the unreconciled balances will be further reduced during the course of the year and that action to review the recording system of advances made to implementing partners has been initiated.

H. Fund of the United Nations Environment Programme

Measures taken or to be taken by UNEP to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[9] are summarized below.

Recommendation	*Action to be taken*	*Action to be completed*
Financial statements		
Reports on the value of non-expendable property purchased by the implementing agencies out of UNEP funds should be obtained and the value of such property should be disclosed to the notes to the financial statements (para. 15).	The value of non-expendable equipment purchased by implementing agencies out of UNEP funds will be disclosed in the 1998 accounts.	March 1999
The Administration should review all unpaid pledges under the different funds and make appropriate provision in the accounts where the collection of the income is considered doubtful. The Administration should also consider recognizing pledges as income only when the funds are received (para. 18).	The Budget and Funds Management Service of the United Nations Office at Nairobi continuously reviews unpaid pledges for all funds. In respect of the Montreal Protocol, contribution tables are maintained separately for each year since the inception of the fund (1991), thus providing detailed information in respect of the age of unpaid pledges. Age analysis information for other UNEP trust funds is being developed. Writing off pledges as well as considering pledges of some Governments to be doubtful and making corresponding provisions in the accounts is the prerogative of meetings of parties contributing jointly to those funds. However, in the management of allocations and commitments of all trust funds it is the policy and practice of UNEP and the United	Ongoing Implementation will take place by improving the information base and conducting an ageing analysis of all unpaid pledges

Recommendation	*Action to be taken*	*Action to be completed*
	Nations Office at Nairobi to take into consideration cash balances only, supplemented very exceptionally by some amount of pledges considered to be fully reliable. Therefore, reflecting pledged contributions as income and long-outstanding unpaid pledges as assets in the official accounts never results in overestimation of funds available, over-commitment or over-expenditure.	
The Administration should continue efforts to ensure that executing agencies that are required to provide audit certificates in respect of moneys released from the Environment Fund do so soon after the end of the financial period (para. 23).	The UNEP Manual on Project Design, Approval and Evaluation sets out the conditions relating to the submission of audit certificates. UNEP has put in place all the necessary measures to ensure timely submission of audited expenditure statements; i.e., UNEP will withhold future cash advances to those organizations that have not provided audit certificates and will not enter into new contractual arrangements with supporting organizations that have not provided the necessary audit documents.	Ongoing
The Administration should establish a system of periodic review of accounts receivable to recover and/or adjust the items (para. 27).	Control and follow-up is to be improved, and an improved receivable ageing system is to be developed.	End of 1999
Reconciliation of all long-outstanding inter-office vouchers should be completed as early as possible, and the Administration should adhere to the system of monthly reconciliation of inter-office vouchers in consultation with United Nations Headquarters (para. 31).	Reconciliation of inter-office voucher accounts is undertaken by the Accounts Division at United Nations Headquarters; recommendations should therefore be addressed to it.	No action
As a matter of urgency the Administration should review the cost-effectiveness and viability of the Mercure project, including the compatibility of the Mercure satellite communications system with the United Nations communications system (para. 42).	Consistent with decision 19/30 adopted by the UNEP Governing Council at its nineteenth session, once the Mercure system is fully operational, a full review and cost-benefit analysis of the system will be submitted to the Governing Council at its twentieth session.	A preliminary cost-benefit analysis will be completed by 26 October 1998 to ensure that the requirement that official documents be submitted to Governments six weeks prior to Governing Council sessions is met
	However, the Mercure system can be considered fully operational only from 21 April 1998, when agreement on the use of the system at Gigiri headquarters was reached with the Government of Kenya.	That study will thus be indicative only, demonstrating the experience of some five months

Recommendation	*Action to be taken*	*Action to be completed*
	Reprogramming the twentieth session of the Governing Council to early February 1999 has also significantly reduced the time available for the collection of cost-benefit data from the date on which Mercure could be considered fully operational.	A more comprehensive and meaningful cost-benefit review of the Mercure system will be possible by April 1999
	Mercure is currently compatible with the United Nations network with respect to data transmission. At this level, action to be taken includes liaison with the United Nations Information Technology Services Division in New York to optimize connectivity and services for mutual benefit.	A coordination meeting is planned with the Technology Services Division in New York during the last quarter of 1998, in which opportunities will be examined for the use of Mercure at mutually beneficial sites worldwide
	Remaining actions concern approval of voice servers over Mercure from the Gigiri headquarters and access to the system by all United Nations agencies in Nairobi. Compatibility of voice servers will also be reviewed with the Information Technology Services Division during planned coordination meetings.	Negotiations will continue with the Government of Kenya in the last quarter of 1998 to obtain the necessary agreement for including these services over Mercure. UNEP is currently awaiting feedback from Kenya following detailed description of UNEP and United Nations needs in July 1998
Trust funds		
The Administration should improve its management and control over projects by ensuring that objectives and outputs are clearly specified; terms of reference for consultants are specified and quarterly expenditure and half-yearly progress reports are received promptly. The Board also reiterated its recommendation made in its report for 1990–1991 and again in 1994–1995 that action be taken to obtain all prescribed reports so as to allow timely closure of completed projects (para. 50).	Project formulation has been streamlined with the approval in 1998 of UNEP Manual on Project Design; the measures to ensure timely submission of financial statements and progress reports were put in place (UNEP withholds cash advances from organizations that have not submitted the required reports). Action has also been taken to solicit from executing agencies all outstanding project reports and to effect timely closure of projects.	Ongoing

Recommendation	*Action to be taken*	*Action to be completed*
The Administration should review the project management report sheet and include the specific outputs in it in addition to ensuring that they are updated on an ongoing basis to serve as an effective project management instrument (para. 51).	The UNEP Manual on Design, Approval and Evaluation of Projects already provides tools (project progress report, terminal report and self-evaluation fact sheet) for collecting comprehensive information on the life of a project to meet evaluation and reporting requirements including specific outputs. Fund management officers are following up the project development through the project management report sheet, where all the expected and received reports are listed. We consider that these reports and filing system will adequately meet the audit requirements and do not see the need to include specific outputs in the project management report sheet.	There is no need for additional measures
Property Survey Board		
The Administration should ensure that procedures for taking action on the decisions of the Property Survey Board are adhered to and should monitor compliance by exception (para. 61).	The United Nations Office at Nairobi is implementing the recommendation.	Implementation of the decisions of the Property Survey Board is continuing

I. United Nations Population Fund

The measures taken, or to be taken, by UNFPA to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[10] are described below.

Recommendations	*Follow-up action*	*Current status/Comments*
Previous recommendations not fully implemented		
In its report on the biennium 1990–1991, the Board of Auditors recommended that the UNFPA Policies and Procedures Manual be updated without further delay. A task force created in October 1996 issued a major portion of the Manual in November 1997, however, it still remains only 80 per cent complete (para. 7 (a)).	A Policies and Procedures Manual maintenance unit within the Technical and Policy Division was created to ensure necessary follow-up.	The final draft of the remaining chapters of the Manual is being reviewed. As stated to the Auditors, the process has been slower than anticipated because of the participatory approach adopted to ensure the full understanding by all staff of the new programming guidelines.
In its report on the biennium 1992–1993, the Board of Auditors recommended that all procurement requests be channelled through Procurement Unit. The Board found that the UNFPA Information and External Relations Division approached consultancy firms directly rather than through the Procurement Unit (para. 7 (b)).	These cases were brought to the attention of the concerned organizational unit to ensure full compliance with the procurement procedures in the future.	UNFPA has continued to emphasize the necessity of strictly applying established procedures to procurement requests. This issue has been recognized by the parties concerned, who are adhering to the applicable procedures.

Recommendations	*Follow-up action*	*Current status Comments*
Financial issues		
UNFPA should show the value of contributions in kind in a note to the financial statements (para 9 (a)).	UNFPA is examining the requirements for collecting, assigning and reporting this information.	UNFPA has drafted the necessary financial regulation and rule required to comply with the United Nations accounting standards.
UNFPA should establish procedures for accurately recording non-expendable project equipment held by Governments and non-governmental organizations and disclose the value of the inventory in a note to the financial statements (para. 9 (b)).	UNFPA is stressing the importance of accurate record-keeping in the revised administrative and programming section of the Policies and Procedures Manual. In order to be compliant with United Nations accounting standards, UNFPA will examine the additional requirements for compiling and reporting this information.	UNFPA will highlight this issue through briefing and training programmes especially for country representatives and national programme officers. In addition, UNFPA will request clarification from the Consultative Committee on Administrative Questions (Financial and Budgetary Questions) regarding the disclosure of the value of non-expendable project equipment by both the funding agency and the executing agency.
UNFPA should amend the financial regulations to require exchange losses, other than those arising from voluntary contributions, to be charged as expenditure, in line with practice adopted by United Nations Headquarters (para. 9 (c)).	UNFPA is drafting the necessary revisions to the financial regulations and rules. In addition, UNFPA will coordinate with UNDP to determine the requirements for segregating exchange losses based on the sources of the loss.	
UNFPA should take action to recover overdue travel advances, including, where appropriate, recovery action from salary where travel claims have not been submitted within two weeks of actual travel, as required under the UNFPA regulations (para. 26).	UNFPA will review this issue with the concerned organizational units of UNDP and discuss possible means to recover overdue travel advances from staff, including the feasibility of this recommendation.	Discussions have been initiated and a circular on the subject is envisaged.
Management issues		
Cash management		
UNFPA should expedite the receipt of outstanding disbursement reports in respect of government and non-governmental organization-executed projects (para. 9 (d)).	Strict requirements regarding the conditions for paying and controlling advances are outlined in the Finance Manual.	While we agree that the advance mechanism is used by the majority of executing agencies, there are several cases of executing agencies spending their own funds and requesting reimbursement from UNFPA *post facto*. Furthermore, reminders are frequently sent to the UNFPA representatives to ensure compliance with these procedures. The geographic divisions have also assisted in following up with UNFPA representatives in their respective regions.
Apply strictly the Finance Manual provision that advances should not be made while disbursement reports are outstanding and limit the level of advances to no more than one quarter's estimated expenditure (para. 9 (e)).	Country office and headquarters divisions are continuously reminded to adhere to these procedures.	

Recommendations	*Follow-up action*	*Current status/Comments*
UNFPA should require Governments and non-governmental organizations, where practicable, to establish a separate bank account for each project to facilitate the pay-over to UNFPA of any interest earned on project funds (para. 38).	The UNFPA Finance Manual currently states that it is desirable for Governments to maintain a separate project bank account and includes a bank information sheet to be completed for each project. UNFPA will continue its efforts to recover any interest earned on project funds.	UNFPA must be cognizant of the impracticability of opening separate bank accounts for each project in certain countries, whether due to legislation or infrastructure limitation.
UNFPA should routinely review inactive projects and close them if appropriate (para. 43).	The Finance Branch issued a circular in July 1997 clarifying the procedures to be followed in identifying and closing completed projects. In addition, the Finance Manual has been revised to provide clear guidelines to the field on project closure. It is the responsibility of the UNFPA representative, the relevant headquarters division and the relevant executing agencies to review project status on an ongoing basis to determine whether action needs to be taken to close an inactive project. In 1997, more than 400 projects were financially closed.	The Finance Branch continues to work with the UNFPA representatives to identify and financially close operationally completed projects.
Property management		
UNFPA should negotiate with Governments either to provide free premises or to make a contribution towards accommodation costs (para. 9 (f)).	UNFPA strategy in this area is reflected by active participation in the United Nations Development Group (UNDG) Sub-Group on Common Premises and Services. In this respect, all UNDG partner agencies are adhering to the Secretary-General's directive to move towards common premises and the establishment of United Nations Houses. The methodology and strategy applied to achieve this is, consequently, common to the UNDG agencies. The recommendation is accepted by UNFPA. In addition to the Sub-Group's efforts in this area, UNFPA	As an active participant in the UNDG Sub-Group, UNFPA ensures that it retains an equal voice in formulating such policy and in doing so strives to ensure that UNFPA interests are safeguarded. Moreover, as noted by the Auditors, UNFPA, wherever possible, attempts to ensure that countries specifically targeted for in-depth review and premises assessment missions are those in which UNFPA has high rental and/or operational costs. However, it should be noted that utilizing an average rental cost per staff member as a means of comparison could be misleading. More appropriate indicators may be the cost as a percentage of office budget.

Recommendations	*Follow-up action*	*Current status/Comments*
	will direct all UNFPA representatives to investigate the possibility of requesting host Governments to extend the UNDP government local operating cost contribution or something similar to UNFPA offices where such arrangements do not already exist.	
UNFPA should ensure that the standard common service agreement incorporates performance targets and service standards (para. 9 (g)).	UNFPA concurs with the Auditors' observations and the recommendation on this issue. In this context, we would highlight the UNFPA response to a recent paper commissioned by the Consultative Committee on Administrative Questions (CCPOQ) that provided guidelines and policy on common services. In this respect, UNFPA was the sole UNDG agency to request in writing that the paper be revised to include criteria to evaluate the quality and cost-effectiveness of services provided by sister United Nations agencies and to include the principle of accountability of service providers to service recipients.	In the UNDG Management Group on Services and Premises meeting of 12 August 1998, UNFPA again emphasized that it remained essential to include the relevant narrative on this subject in the pending CCPOQ guidelines on this issue. This point was accepted by representatives from other UNDG agencies present in this forum (UNDP, UNICEF and the World Food Programme).
Human resources management		
UNFPA should undertake a comprehensive staff review, including an examination of the relationship between headquarters and field offices, to ensure that there is an appropriate balance between decentralization and control and that sufficient support is available to field offices (para. 9 (h)).	UNFPA concurs with the observations and recommendations. They will be addressed through a workforce planning exercise which will include: – Reviewing job content and redesigning functions of posts, as necessary; – Developing accurate workload measures specific to the full range of work undertaken; – Establishing workload benchmarks to optimize staff resources.	Discussions have been initiated with consultants who will undertake the exercise, which will commence in 1998.

Recommendations	*Follow-up action*	*Current status/Comments*
UNFPA should develop more accurate workload measures, specific to the full range of work undertaken, to ensure that General Service staff numbers are commensurate with need, and establish workload benchmarks and measures to determine more accurately the number of Professional staff needed (para. 9 (i) and (j)).	The workforce planning exercise will also enable management to adequately define the role and responsibilities of field staff in the context of decentralized approval authority and programme implementation. This will be useful in assessing the appropriate staffing of country offices.	
Year 2000 issue		
UNFPA should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 9 (k)).	The Fund's own financial management systems are year 2000 compliant. Procurement software is also compliant.	A focal point for year 2000 issues has been established. UNFPA is actively involved in the inter-agency working group on information technology.

J. United Nations Habitat and Human Settlements Foundation

The measures taken, or to be taken, by the United Nations Habitat and Human Settlements Foundation (UNHHSF) to implement the recommendations of the Board of Auditors in its report for the biennium 1996–1997[11] are described below.

Summary of recommendations	*Actions to be taken*	*Actions to be completed*
Financial management		
Habitat should prepare the financial statements in conformity with the United Nations accounting standards (para. 16).	Discuss accounting for unpaid pledges for future years with the Accounts Division at United Nations Headquarters, as we believe the present treatment is appropriate and consistent with statements from Headquarters.	Incorporate, as appropriate, in the 1998 statements
Habitat should ensure full compliance with the administrative instructions (para. 18).	The United Nations Office at Nairobi is to discuss modalities with the United Nations Centre for Human Settlements (Habitat) (UNCHS) management.	Incorporate in 1998 statements
Habitat should review the need for starting an operating reserve in accordance with the administrative instructions (para. 20).	The United Nations Office at Nairobi is to discuss modalities with UNCHS management.	Incorporate in 1998 statements
Habitat should review the basis of its fund-raising strategy with the aim of increasing the quantum of contributions, especially those that are not earmarked (para. 28).	The management is in constant touch with donor Governments with a view to increasing the donor confidence. It is envisaged that this will culminate in an increase in non-earmarked contributions.	Ongoing process

Summary of recommendations	*Actions to be taken*	*Actions to be completed*
Programme management		
Habitat should analyse the reasons for substantial time overruns in projects and take corrective measures (para. 36).	Unit coordinators and programme management officers have been instructed that reasons for budget increases and for project delays or extensions must be properly justified and documented.	Action completed
Habitat should set a time-frame for closing the projects financially soon after their operational closure (para. 38).	Unit coordinators and programme management officers have been instructed to reduce the time lag between the operational closure and the financial closure of projects.	Action completed
Habitat should ensure that full documentation is maintained in the relevant project files and enhance the information in the statement of closed projects to show the full details of project out turn and delivery as a means of evaluating performance (para. 41).	Unit coordinators and programme management officers have been instructed to ensure that full documentation is maintained in the relevant project files and that basic documents on projects implemented by the Rio and Fukuoka offices are made available at headquarters.	Action completed
Publications		
Habitat should take an early decision on a sales policy for the organization (para. 47).	Proposals for a sales policy have been prepared and will be discussed at the second meeting of the Publications and Information Board for a decision.	Formal approval by the Publications and Information Board is one of the expected outcomes of the Board's next meeting, scheduled for December 1998
Habitat should take steps to generate information on the actual costs of production and other expenses in order to control costs and help in the pricing of publications (para. 49).	Collaboration for joint sales policies has been initiated with UNEP and the United Nations Office at Nairobi.	A formal decision on the sales policy is one of the expected outcomes of the Publications and Information Board's next meeting (December 1998)
Contracts		
Habitat should finalize contracts with transparency and in accordance with the financial rules and obtain the requisite approvals before the contracts are awarded (para. 53).	The United Nations Office at Nairobi is implementing the recommendation as required by United Nations financial rules 110.16 to 110.24 and the United Nations Procurement Manual. It is always ensured that as per financial rule 110.17, all contracts to be entered into that involve commitments to a single contractor in respect of a single requisition in a series of related requisitions totalling $150,000 are presented to the Local Committee on Contracts.	Action completed

Previous recommendations of the Board of Auditors not fully implemented

Summary of recommendations	*Actions to be taken*	*Actions to be completed*
Weaknesses in project coordination and management control should be identified with a view to improving project implementation (para. 9 (a)).	The project checklists intended to strengthen the design and review of projects would be refined to include coordination and management of project implementation.	Actions to be completed by December 1998
Financial statements should be prepared in conformity with the United Nations accounting standards (para. 9 (b)).	The 1996–1997 financial statements incorporated recommendations made in the previous biennium. The recommendations pertaining to the current biennium will be incorporated in the 1998–1999 statements, as appropriate.	Actions to be completed in the first quarter of 1999

K. Fund of the United Nations International Drug Control Programme

The measures taken, or to be taken, by UNDCP to implement the recommendations of the Board of Auditors in its report on the financial statements for the biennium ended 31 December 1997[12] are described below.

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
Previous recommendations not fully implemented			
1. UNDCP should simplify its financial accounting arrangements (para. 7).	The financial accounting arrangements have already been considerably simplified with the transfer of the accounting function from United Nations Headquarters to Vienna and the rationalization of the treasury and banking arrangements. The general ledger has been successfully decentralized and integrated into the United Nations Office at Vienna's computerized accounts, banking arrangements have been consolidated in a cost-effective manner, and cumbersome inter-fund transactions have been reconciled and eliminated. What remains is the final step in integrating the accounting systems in Vienna. In this connection it should be noted that significant preparatory work has already been conducted in the framework of an expert study on the development of an integrated financial accounting system with a more secure computer platform following recommendations made by an earlier report of the Office of Internal Oversight Services.	Implementation is to follow once the overall administrative arrangements between the Office for Drug Control and Crime Prevention and the United Nations Office at Vienna, currently under consideration, are finalized, with due account also being taken of the planned extension of the Integrated Management Information System. As an interim measure, further automation is planned to be achieved by adapting an accounting software package to integrate accounting data.	Produce interim financial statements for 1998 using an integrated accounting system.

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
Programme expenditure incurred by executing agencies			
2. UNDCP should carry out liaison with UNDP to ensure that audit reports are received for all nationally executed disbursements incurred through UNDP as the executing agency (para. 15).	It should be noted that UNDCP concentrated, as required by the Board of Auditors, on implementing its previous recommendations to formalize and clarify its arrangements for receiving audited expenditure statements from executing agencies, primarily non-governmental organizations. In this, as is recognized by the Board, we have achieved significant success. However, as regards audit coverage of disbursements through UNDP on nationally executed projects, it has been our understanding that the matter was being handled directly by the Board with UNDP. As stated in the recent report on internal audit and oversight activities of the UNDP Administrator (DP/1998/26), the UNDP Office of Audit and Performance Review has over the years been collaborating closely with the Board of Auditors towards the establishment of measures that would allow removal of the qualification of the national execution audited expenditure from the reports of the United Nations Board of Auditors. To that end the UNDP report specifically mentions that UNDP financial regulation 17.2 requires Governments to submit audited financial reports for nationally executed projects and programmes and that the Office of Audit and Performance Review had, accordingly, set a deadline for the submission of such reports of 30 April 1998. Therefore, UNDCP did not and was not expected to follow up on this issue of its own accord given the current nature of existing arrangements. It is a matter of concern, unfortunately, that despite those efforts the external auditors of UNDP have not been satisfied with the extent of audit coverage achieved because of which UNDCP too has had its financial statements "technically" qualified. We can, therefore, only concur with the Board's recommendation.	Liaison with UNDP is being established through appropriate channels. A review of the working arrangement with UNDP will also be done, if necessary, to facilitate receipt of audit reports.	Receipt of necessary reports is targeted from 1998 onwards.

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
Management of technical cooperation projects			
3. The Board welcomes the recent developments in policy formulation and recommends that UNDCP complete and promulgate guidelines on drug control policy as a matter of priority (para. 27).	We concur with this recommendation and appreciate that the audit report acknowledges the progress already made.	While this will be taken forward as a priority, the timing of the issuance of guidance on the various issues highlighted by the Auditors will obviously depend on a number of external factors. As an example, draft guidance already prepared on alternative development, monitoring and estimating of illicit crops will now be updated and amended in light of the policies endorsed during the recent concluded special session of the General Assembly devoted to countering the world drug problem together.	Ongoing
4. UNDCP should ensure that programme frameworks are prepared on a timely basis and that clearer assessments of national legislation and government capacities, and financial estimates and lessons learned, are incorporated in the programmes (para. 32).	We concur with the recommendation. It should be noted, however, that the current biennial programme budget contains a comprehensive programmatic description of planned activities, by region, linked to a budget. The recent decentralization of responsibilities to the field level and the streamlining of administrative procedures is also resulting in required improvements.	Country and subregional programme frameworks have been replaced by a two-tier system which, for the first time, integrates substantive and financial planning as reflected in the biennial programme budget. As recommended, financial estimates and lessons learned are now being included together with the programmatic description. Programme documents on the country or subregional level are also prepared, which flow from the biennial programme budget. The programmes thus elaborated are based on a comprehensive situation assessment, including the national legislative and institutional situation and capacities. Further, project ideas – including financial aspects – are now included in the programme documents.	Ongoing

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
5. While welcoming the plan to develop a set of standard performance indicators, the Board recommends that UNDCP strengthen project documents by systematically incorporating baselines, targets and monitoring and evaluation frameworks and carry out a thorough appraisal of the scale of the drug problem to be addressed and a cost-benefit analysis of project proposals before projects are approved (para. 40).	We concur with the recommendation and will continue with the further development of appropriate measures.	A first draft of revised guidelines on programme and project preparation have been issued aimed at substantially improving programme and project documents. Programme/project planning will involve a comprehensive assessment of the drug control situation, necessary baseline studies, the establishment of realistic achievement indicators, monitoring systems and evaluation plans. A cost- benefit analysis of programme/project proposals will form an integral part of the preparation and appraisal process.	Ongoing
6. UNDCP should adopt a more prudent approach in the planning of its projects, ensuring that projects have realistic start dates and duration and sound procurement planning, financial resources and execution arrangements (para. 48).	We fully concur with this recommendation. It is expected that with the recent decentralization of responsibilities to the field level and the streamlining of administrative procedures, required improvements in project planning, approval and delivery will result.	One of the main aims of the revised guidelines mentioned above is to ensure sound programme and project planning, which should result in more realistic starting dates, project durations, activity work plans and related inputs and adequate execution/ implementation arrangements.	Ongoing
7. UNDCP should initiate *ex post facto* evaluation of projects, where appropriate, to obtain a more reliable assessment of the sustained impact of projects some years after activities have been completed (para. 50).	We support the case for more attention to be given to the evaluation of the impact of projects. We aim for lessons learned from projects and programmes to be publicized and disseminated widely to Member States and others and used as a basis to design the next generation of technical assistance interventions.	The priority being given to this area is reflected in the recently revised medium-term plan stemming from the action plans adopted by the General Assembly at its special session held in June 1998. Emphasis will be placed on assessments at the programme and country levels in support of meeting the specific targets set in the action plans.	Ongoing

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
Establishing UNDCP as a centre of excellence			
8. UNDCP should review its needs for additional support from external organizations with expertise in drug-related issues, identify the institutions that are best placed to meet its requirements and develop relevant agreements with them (para. 60).	The extent to which UNDCP can expand its network of cooperating institutions should be governed by the capacity we have for exploiting them. Given the present constraints in staff and other resources, it is better to confine the network to those institutions with which we can actually collaborate. With the new strategy to make research, in particular, a core function of UNDCP, the need to farm out such core functions would make less sense than it did in the past. Instead, as recommended by the Board, emphasis will need to be placed on developing specific plans of joint work with institutions best placed on meeting our non-core function requirements. The Board's report also rightly lays emphasis on the need to build up in-house expert capacity on the technical side. Ideally, this would require strengthening significantly expert capacity in the field, which, however, would entail either setting up regional centres such as that in Bangkok with a core of experts in each or locating experts in each field office, which is costly in terms of resources. In the absence of such resources, providing this service from headquarters remains the more viable, if limited, option.	As an initial step, the existing and rather limited service from headquarters is being strengthened within available resources to make the centre of excellence concept more immediately viable.	Ongoing

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
9. UNDCP should: (a) Classify individual consultants according to a smaller number of key disciplines that would be helpful for the staff expected to use the roster; (b) Promote and support the use of the roster by ensuring that it is regularly maintained and updated; (c) Undertake periodic analyses of those areas of specialization most in demand to help identify shortfalls and initiate action to address them in advance of possible project assignments (para. 66).	We concur with recommendation (a). Regarding recommendation (b), if we have a roster then it should be simple and easy to use so that training would not be necessary. A decentralized, Intranet-based roster would perhaps be more feasible. The screening of candidates by concerned substantive offices is already being done. We concur with recommendation (c).	UNDCP has recently strengthened the roster system by assigning additional staff resources to this function. A limited number of targeted, useful categories will be used. Candidates are now routinely screened before being placed on the roster. In order to rationalize the roster further and improve its efficiency and impact, consideration is being given to a merger of the central roster with the personnel roster maintained by the United Nations Office at Vienna. This would be complemented by decentralized access by UNDCP staff through the Intranet.	Rationalization of the roster is targeted for 1999
10. UNDCP needs to improve the transparency of its evaluations of consultant performance and recommends that the Programme: (a) Introduce a standard evaluation form to document performance assessments for all consultants, covering the extent to which they met deadlines, budgets and objectives; (b) Ensure that evaluations are carried out consistently and in a timely manner at the end of consultants' assignments (para. 69).	UNDCP will give due consideration to these recommendations in order to continually improve the transparency of its evaluation of consultant performance. A decentralized roster on the Intranet, as mentioned before, could be considered to make essential improvements without adding additional forms.	In connection with activities undertaken to improve the roster, the Intranet system under consideration would facilitate easy integration of more detailed, standardized assessments of the performance of consultants into the central database. UNDCP considers that the system will also improve the frequency and timeliness of reporting on consultant performance.	Rationalization of the roster is targeted for 1999
11. UNDCP should record the results of evaluations on the central roster to ensure that they are accessible to UNDCP staff (para. 70).	UNDCP takes note of this recommendation. As suggested above, such information could more easily be maintained by concerned substantive offices on a decentralized roster on the Intranet. We will follow up to see how this can best be achieved.	The Intranet system under consideration would ensure quick and reliable transfer of information to the central roster and easy access to information by UNDCP staff.	Rationalization of the roster is targeted for 1999

Board recommendation	*UNDCP response*	*Implementation status of agreed recommendations*	*Implementation target date*
12. UNDCP should complete the curricula and training materials for the intermediate and advanced courses in contemporary drug-abuse control policy as a matter of priority, develop a training plan, with clearly defined responsibilities and a timetable, and take action to secure the necessary financial resources (para. 73).	Relevant curricula and a detailed syllabus for each of the three training levels – basic, intermediate and advanced – were considered by a Programme-wide working group that submitted a report to the Executive Director in October 1996. The report, together with a suggested course of action and related timetable, were further submitted to and endorsed by the UNDCP Management Committee in January 1997.	After one year of successfully completing the basic level course at both the headquarters and field levels, a global internal evaluation will be carried out in 1999 and, on the basis of lessons learned, the intermediate and advanced courses will be developed. As regards funding, training activities, including field training, are budgeted for in the approved biennial support budget for 1998–1999.	It is estimated that the pilot interme-diate-level course will be provided in the spring of 1999
Year 2000 issue			
13. UNDCP should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 76).	An inventory of UNDCP information systems has been carried out and an assessment made of them for year 2000 compliance.	UNDCP has re-engineered its corporate information system, and data (since 1960) have been converted and included in back-up procedures.	Ongoing
Cases of fraud and presumptive fraud			
14. UNDCP should ensure that, in future, Internal Audit and the United Nations Controller are promptly notified of cases of fraud and presumptive fraud (para. 77).	The recommendation is noted for timely compliance in the future.		Ongoing

L. United Nations Office for Project Services

The measures taken or to be taken by the United Nations Office for Project Services in response to the recommendations set forth in the report of the Board of Auditors to the General Assembly for the biennium ended 31 December 1997,[13] together with the timetables, are as follows.

I. Key recommendations of the Board of Auditors

Recommendation (a)

1. All field offices should be reminded of the importance of completing the receipt and inspection reports (para. 33).

2. The Office recognizes the problem, which is system-wide. It notes that in the absence of receipt and inspection reports alternative confirmation of satisfactory delivery is often obtained. In addition to the reminder mentioned in the recommendation, the Office notes

that any additional suggestions that the Board of Auditors could make in this regard would be gratefully received.

Recommendation (b)

3. The Office should identify the shortcomings of the present financial reports, establish the key information required and decide on the form and frequency of the reports (para. 72).

4. The shortcomings of the reporting facility associated with the system currently in use by the Office have been identified in the past – as a work-around solution, special views of the Organization's data are provided on-line through an executive information system. The Office is presently working with UNDP on the development of data warehousing solutions that will allow for improved reporting systems. While some of those solutions will be in place by the end of 2000, comprehensive reporting systems based on the Integrated Management Information System (IMIS) and ancillary systems are unlikely to be in place before 2001.

Recommendation (c)

5. The Office should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 79).

6. A year 2000 manager with full responsibility for all year 2000 issues has been recruited and will join the Office in September 1998. The target is for all existing applications that are not presently year 2000 compliant to be replaced with IMIS, upgraded, migrated or eliminated, with all development and testing completed by 1 October 1999.

II. Previous recommendations not fully implemented

Recommendation (a)

7. There continue to be shortcomings in the completion of receipt and inspection reports to confirm that goods have been received in satisfactory condition (para. 7 (a)).

8. The Office has addressed this concern pursuant to recommendation I (a) above.

Recommendation (b)

9. There were no performance measures and targets to assist management in monitoring and assessing the efficiency of procurement activities (para. 7 (b)).

10. The efficiency of procurement activities is promoted by continuously updating and improving contractual instruments and the contract process as well as by the check and balance review of all procurement actions over $100,000 by the Procurement Review and Advisory Committee. The Office agrees that procurement performance indicators would be a valuable instrument for the management of staff and the improvement of purchasing in the integrated operations teams. In mid-1997 the Office collected comparative prices resulting from some three dozen of its own procurement efforts as well as prices obtained by others and found a significant price benefit with the Office's involvement.

III. Main recommendations

Recommendation (a)

11. The Office should finalize the handbook on procurement procedures as a matter of priority (para. 25).

12. The Office agrees with this recommendation and is already carrying out the necessary steps to complete the relevant parts of the handbook.

Recommendation (b)

13. The Office should ensure that procurement plans are drawn up for each project, detailing items to be purchased and indicating a likely timetable for action (para. 29).

14. The Office agrees that proper planning of procurement actions will facilitate effective timely action and reduce the overall costs of procurement. Nonetheless, it is difficult to plan effectively for many of the countries and projects the Office is involved in. Furthermore, one of the comparative advantages of the Office is its ability to respond on a timely basis to changes in demand. A renewed effort will be made through the Operations Division to develop or obtain procurement plans on a timely basis, as may be appropriate.

Recommendation (c)

15. Where requisitions are prepared by procurement staff they should be approved by project managers prior to processing, and this approval should be formally evidenced (para. 31).

Recommendation (d)

16. All field officers should be reminded of the importance of completing the receipt and inspection reports (para. 33).

17. The Office has addressed this concern pursuant to recommendation I (a) above.

Recommendation (e)

18. The international consultant evaluation form should be revised to encourage a more rigorous evaluation of the final output against measurable objectives and targets in the terms of reference, and field offices should be reminded to complete evaluations of special service agreement assignments (para. 50).

19. The Office agrees with the need to review the evaluation form. It is reviewing its relevance and appropriateness, together with ways of improving compliance with requirements.

Recommendation (f)

20. The Office should ensure that there is a complete, up-to-date, annual appraisal for every member of staff and a central record should be maintained of the staff appraisals (para. 62).

21. The Office agrees that such an appraisal is indispensable for staff development, but that it had not been made. The Office is committed to addressing the issue. It recognizes that 100 per cent compliance is a prerequisite for a performance-based reward system as well as effective staff development and training. It will pursue these initiatives in the near future.

Recommendation (g)

22. The Office should identify the shortcomings of the present financial reports, establish the key information required and decide on the form and frequency of the reports (para. 72).

23. The Office has addressed this concern pursuant to recommendation I (b), above.

Recommendation (h)

24. The Office should ensure that all systems are tested for year 2000 compliance, with sufficient lead time to address any deficiencies (para. 79).

25. The Office has addressed this concern pursuant to recommendation I (c) above.

Recommendation (i)

26. The Office should coordinate with UNDP to ascertain to what extent it had assessed the impact of the year 2000 issue for the interface with UNDP systems (para. 80).

27. This is under way and ongoing.

Recommendation (j)

28. The Office should establish a process for recording and reporting fraud and presumptive fraud (para. 81).

29. The Office agrees and will take measures to establish a systematic procedure for recording and reporting fraud.

IV. Other recommendations

30. At least one senior staff member in each field office that regularly undertakes procurement should attend a procurement course (para. 23).

31. The Office agrees with the importance of proper training for all staff involved in procurement and has taken steps to ensure that staff from decentralized offices continue to participate in training programmes.

32. The Office should develop a set of indicators to assess whether the procurement activity is effective and efficient and that best value is achieved (para. 35).

33. The Office has addressed this concern pursuant to recommendation II (b) above.

34. The Office should apply more rigorously its policy not to recruit government officials as national professional project personnel (para. 42).

35. It is UNDP that established a policy of not recruiting government officials as national professional project personnel. The intent behind this policy is not to deplete the capacity of national government bodies and organs. Notwithstanding this, the Office recognizes that at times there is specific justification for the hiring of government officials. These cases are reviewed on the basis of merit.

36. The Office should remind field offices to evaluate the work of national professional project personnel (para. 43).

37. The Office, recognizing that no formal requirement exists to evaluate the work of national professional project personnel, will ensure that more formalized evaluation is instituted.

38. Field offices should be instructed to provide headquarters with details of national professional project personnel recruited, as required (para. 45).

39. Field office and project personnel are continually reminded of the need to provide headquarters with information on local project personnel, including national professional project personnel. Reporting forms have been designed and are distributed to field offices and projects. Field office staff are advised that inaccurate reporting of this data may have serious consequences on the employee in that health insurance coverage is dependent on

the data provided on the reporting form. Despite the ongoing efforts of the Office to impress upon the field offices and projects that the reporting of this information is crucial, it is recognized that at times reporting is lacking. The Office will continue to press the issue. With the creation of the Human Resources Management Section Monitoring Subunit, it is expected that even more concerted efforts will be made in this regard.

40. The Office should review the use of *ex post facto* and retroactive agreements with the aim of eliminating the practice (para. 54).

41. The Office recognizes the risks and liabilities involved in such cases and each case is individually reviewed to ensure that it is indeed exceptional and treated appropriately.

42. The Office should regularly review the database (para. 56).

43. The Office fully agrees with the recommendation of the Board. The Human Resources Management Section, along with the Information Management Services Section, is vigorously pursuing an information strategy to develop new personnel management database systems that can be utilized for strategic planning and monitoring purposes. The Office is designing the new systems such that they make use of current technologies, are user-friendly and provide reports for statistical monitoring purposes.

44. The establishment of an up-to-date information technology strategy should be accorded high priority (para. 75).

45. The short-term information technology strategy revolves around the assimilation of IMIS and responding to year 2000 issues. A full information technology strategy will be established in 1999.

Notes

[1] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5* (A/53/5), vol. III, chap. I.

[2] Ibid., vol. IV, chap. II.

[3] Ibid., *Supplement No. 5A* (A/53/5/Add.1), chap. II.

[4] Ibid., *Supplement No. 5B* (A/53/5/Add.2), chap. II.

[5] Ibid., *Supplement No. 5C* (A/53/5/Add.3), chap. II.

[6] Ibid., *Supplement No. 5D* (A/53/5/Add.4), chap. II.

[7] Ibid., *Supplement No. 5E* (A/53/5/Add.5), chap. I.

[8] *Official Records of the General Assembly, Fifty-second Session, Supplement No. 5E* (A/52/5/Add.5), chap. I.

[9] *Official Records of the General Assembly, Fifty-third Session, Supplement No. 5F* (A/53/5/Add.6), chap. II.

[10] Ibid., *Supplement No. 5G* (A/53/5/Add.7), chap. II.

[11] Ibid., *Supplement No. 5H* (A/53/5/Add.8), chap. II.

[12] Ibid., *Supplement No. 5I* (A/53/5/Add.9), chap. II.

[13] Ibid., *Supplement No. 5J* (A/53/5/Add.10), chap. II.

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Sustainable development and international economic cooperation: Integration of the economies in transition into the world economy

Integration of the economies in transition into the world economy

Report of the Secretary-General

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Integration of the economies in transition into the world economy

Report of the Secretary-General

I. Introduction

1. In its resolution 51/175, the General Assembly called upon the organizations of the United Nations system to continue to conduct analytical activities and to provide policy advice and technical cooperation to the economies in transition on the social and political framework for economic and market reforms, in particular in regard to the development of the necessary conditions for attracting foreign investments. The Assembly also requested the Secretary-General to submit a report on the implementation of the resolution to the General Assembly at its fifty-third session. The present report has been prepared in response to that request, and is based on information supplied to the Secretary-General as of 20 August 1998.

2. With regard to analytical activities, most of the organizations of the United Nations system prepare a variety of analytical reports, data and other products, often including an annual "flagship" report, which either address selected topics from a global and regional perspective or provide an overview of developments and issues within the organization's area of competence. Those reports encompass the economies in transition and form an integral part of the analysis and policy advice available from the organizations of the United Nations system to the economies in transition. However, being universal in nature, they are not reviewed here.

3. The United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), as the main technical cooperation funding agencies for the United Nations system, have programmes in individual economies in transition, as well as regional activities. Information on those programmes is contained in the documentation provided to their respective Executive Boards, and is not repeated in the present report, although specific activities of particular relevance are identified in some cases.

II. Activities of the organizations of the United Nations system

A. United Nations Secretariat

4. The Department of Economic and Social Affairs has continued to conduct analytical activities and to provide policy advice and technical cooperation to the economies in transition in each of its main programme areas.

5. In the area of population, a number of papers were prepared for a symposium on health and mortality[1] held at Brussels from 19 to 22 November 1997 on issues concerning countries in transition. In March 1997, the Department organized a subregional symposium on strengthening population information systems in Central Asia and Azerbaijan, and it is executing a UNFPA-funded project on strengthening population and housing census-taking capabilities in four Central Asian countries, Kazakhstan and Azerbaijan.

6. In the area of statistics, the Department has published the Russian version of the *System of National Accounts, 1993*,[2] and provided a lecturer for the seminar on methodology of international merchandise trade statistics, organized by the customs authorities of the Russian Federation. In September 1997, a mission of the Department, the International Monetary Fund (IMF) and the World Bank visited the Russian Federation to assess the statistical infrastructure and identify ways to enhance statistical information. In May 1997, a joint meeting was convened by the Ministry of Statistics of Ukraine and the Steering Committee on the Coordination of Technical Cooperation to the Countries of the Former Soviet Union, to identify priorities for Ukraine's statistical agencies and adopt a more coordinated approach to its national statistical programme. The Department has also provided the services of its Interregional Adviser on Computers and Informatics to Armenia, Belarus, Kyrgyzstan, Lithuania and Uzbekistan.

7. In collaboration with the Government of Greece and UNDP, a regional conference was organized on the theme "Public service in transition: enhancing its role, professionalism, ethical standards and values" (Thessaloniki, 17–20 November 1997). The conference called for the reinforcement of the institutional structures, legislative frameworks, information and skills that are prerequisites for sustained development. Twenty-one Eastern and Central European States participated in the conference. In cooperation with UNDP Europe and the Commonwealth of Independent States (CIS), policy advisory services on civil service reforms were provided to Governments in the region.

In addition, two projects, one on the establishment of an ombudsman institution in Uzbekistan and one on non-governmental organization development in Azerbaijan, became operational in 1997.

8. The Department has also undertaken a range of activities relating to the social, economic and political framework for market-based reforms, including measures to promote foreign investment. Specific projects include the preparation of a strategy for implementing market-based reforms, attracting foreign investment and encouraging export-led growth in the former Yugoslav Republic of Macedonia; the preparation of a strategy for post-conflict reconstruction and the transition to a market economy in Bosnia and Herzegovina; the convening of an international workshop on macroeconomic forecasting in CIS countries at Moscow; the preparation of macroeconomic forecasting models and related training of personnel in Belarus and Ukraine; the provision of advice to the Income Tax Department of Turkmenistan, covering, *inter alia*, taxation of foreign permanent establishments; and assistance in the creation, organization and operations of the new Supreme Audit Institution in Armenia.

9. A subregional conference of senior governmental experts on the implementation of the Platform for Action adopted by the Fourth World Conference on Women in Central and Eastern Europe, held at Bucharest from 12 to 14 September 1996, was attended by 36 experts from 21 countries. It focused on the elaboration and implementation of national action plans, strengthening national machineries for the advancement of women, and the role of non-governmental organizations and other actors in civil society in elaborating and implementing national action plans. The Department is also undertaking a project to assist in developing gender-in-development units and/or national machineries in Central and Eastern European and CIS countries. An interregional workshop on the theme "Mechanisms of support to women's participation in sustainable development", held in November 1997 at Lausanne, Switzerland, provided an opportunity for participants from economies in transition to experience dialogue and networking among women entrepreneurs and with members of the business community, and to explore avenues for practical collaboration.

10. A regional conference on sustainable development in economies in transition (Minsk, 1997) was organized in cooperation with UNDP and the Economic Commission for Europe (ECE). The Department has also supported various national activities pertaining to sustainable development, several of which were financed by UNDP. These include projects relating to land restitution and land registration in Bulgaria and Georgia; the establishment of a unit to manage external assistance and promote private investment in infrastructure in Croatia; the collection of data necessary to attract foreign investment in the Tumen area of the Russian Federation; monitoring oil and related pollution in the Black Sea; and the preparation of a strategy to eliminate pollution and ensure environmentally sound water management in the Maritza River Basin of Bulgaria.

B. Economic Commission for Europe

11. With the exception of a few individual cases of success, often due to the sale of domestic companies to foreign investors, the experience of Central and Eastern Europe and the CIS as a whole in attracting foreign direct investment (FDI), as measured by its share of total world flows, has been disappointing. Member Governments continue to attach a high priority to ECE work on attracting FDI in recognition of its economic benefits. ECE activities in this area are focused on the following:

1. Investment promotion techniques

12. In October 1997, ECE, in cooperation with the World Bank, held a forum at which representatives of the investment promotion agencies of transition economies discussed techniques for promoting FDI, as well as questions related to the role of investment promotion agencies, their status within the public administration and their financing.

2. Attracting private investment in infrastructure

13. ECE has established the Build, Operate and Transfer (BOT) Group of experts to help Governments to apply concession-based financing techniques to attract private capital and promote public-private partnerships for infrastructure projects. The Group includes representatives of leading private companies, legal experts and representatives of other international organizations. It has published guidelines entitled "Public-private partnerships: a new concept in infrastructure development", and has organized advisory missions to Bulgaria, Croatia, Estonia and Hungary.

3. Development of real estate markets

14. To stimulate investment and create more active real estate markets, ECE has established the Real Estate Advisory Group (REAG), consisting of property lawyers, bankers, developers and real estate valuers. On 17 July 1998, the Terre Initiative was launched in London by the Executive

Secretary of ECE, in the company of the Secretary-General of the European Bank for Reconstruction and Development (EBRD), to raise funds for REAG missions to transition economies. These missions will prepare reports that identify strategic investment opportunities for financial institutions and papers that present Governments with options for land policy.

4. Legal and regulatory frameworks

15. The ECE Working Party on International Contract Practices in Industry has prepared guides on privatization and foreign investment laws since the beginning of the transition period, and these have assisted Governments in the drafting of new legislation. However, the enforcement of new laws has been problematic. Despite many new laws regarding intellectual property rights, for example, the increased incidence of piracy and counterfeiting of goods has had a negative impact on FDI. ECE, in cooperation with the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO) and the European Union (EU), will hold a forum on the protection and enforcement of intellectual property rights in the transition economies at Geneva on 26 October 1998. It is expected that a special programme will be established to help Governments deal with infringements of their laws and encourage domestic companies to protect their intellectual property.

5. Analysis of FDI in transition economies

16. An ECE study on trade and investment financing in transition economies covers the financing of FDI and includes recommendations for improving access of foreign affiliates to local and foreign financial sources.

6. Information services

17. ECE collects data on FDI from the transition economies, and analyses them in the *ECE Bulletin* and the *Economic Survey of Europe* on a regular basis. As part of its industry and enterprise development programme, ECE disseminates information on best practices for creating an environment conducive to foreign investment, and assists transition economies in their implementation. In particular, projects in the following areas aim to attract FDI: (a) environmental clean-up of polluted industrial sites; (b) barriers to and best practices for industrial restructuring in the steel sector; and (c) promotion of regional enterprise development areas in transition economies. ECE is also promoting higher standards in the treatment of FDI, and is encouraging its members to participate in the relevant international standards-setting forums. It is currently modernizing the 1961 European Convention on International Commercial Arbitration, and is considering ways to broaden its scope to include the resolution of investment disputes. With the support of the Government of the Czech Republic, an expert meeting to consider proposals to revise the Convention will be held at Prague on 28 and 29 September 1998.

18. Further ECE technical cooperation with economies in transition covers a wide range of activities in the areas of energy, environment, statistics, trade facilitation and small and medium enterprises (SMEs). In addition, countries in transition participated in a consultative inter-agency meeting organized by ECE at Geneva in January 1996 on regional monitoring of activities designed to improve the status of women. These activities are carried out in close cooperation with other international, national and regional organizations.[3]

C. Economic and Social Commission for Asia and the Pacific

19. The Economic and Social Commission for Asia and the Pacific (ESCAP) secretariat's activities to promote the integration of the economies in transition into the world economy have focused on macroeconomic management and economic reforms, including policies on restructuring, stabilization and growth, the impact of the economic and financial crisis in Asia, and the promotion of intra- and inter-subregional economic cooperation. Activities have emphasized the need to develop the necessary conditions for promoting foreign investment and trade in those countries. Another immediate objective of technical cooperation has been to promote cooperation among those countries, as well as between them and the rest of the region.

1. Analytical work

20. The *Economic and Social Survey of Asia and the Pacific 1997* included an analysis of the economic situation and short-term and medium-term prospects of the economies in transition, focusing on the consequences of capital-flow volatility and the lessons from the financial crisis.

2. Policy advice and technical cooperation

21. Technical cooperation with the economies in transition has taken the form of training programmes and policy advice regarding macroeconomic reforms, the management of free economic zones, industrial restructuring and privatization. Activities have focused on the promotion of investment

opportunities, including training in techniques used in project appraisal and evaluation; financial sector management; and institutional and human capacity-building.

22. ESCAP has been assisting the region's economies in transition in accession to WTO and in expanding their trade. A training course on export promotion, held in cooperation with the International Trade Centre and WTO in Uzbekistan in June 1997, aimed to enhance the capacity of countries to formulate trade policies and strategies for the diversification of trade. The seventh Asia-Pacific International Trade Fair, scheduled to be held in Kazakhstan in October 1998, will be the first of its kind in Central Asia, and is expected to promote economic cooperation, trade and investment between the economies of Central Asia and other Asian and Pacific countries.

3. Cooperation with other organizations

23. At the suggestion of the Secretary-General, ESCAP and ECE initiated the Special Programme for the Economies of Central Asia (SPECA) in 1997 to facilitate the economic integration of the Central Asian countries into both Europe and Asia, and to strengthen economic cooperation among those countries. SPECA was launched by the Presidents of four Central Asian countries and the Executive Secretaries of ECE and ESCAP at Tashkent in March 1998. The Tashkent Declaration identifies four priority programme areas: (a) development of transport infrastructure and cross-border facilitation; (b) rational and effective utilization of energy and water resources of Central Asia; (c) the organization of an international economic conference on Tajikistan and a joint strategy for regional development and the attraction of FDI; and (d) regional cooperation on the development of routes for pipelines for hydrocarbons. Working groups to translate the Programme into specific project activities have been established by ESCAP and ECE.

24. In cooperation with the United Nations Conference on Trade and Development (UNCTAD) and the Economic Cooperation Organization (ECO), ESCAP has been implementing a project on international transport development in the ECO region. The ECO secretariat is also involved in a project to strengthen subregional economic cooperation in trade and investment among member countries in the southwestern part of the ESCAP region. In addition, the United Nations Industrial Development Organization (UNIDO) and the Asian and Pacific Centre for Transfer of Technology contributed to a regional meeting on investment promotion for the Central Asian countries, held in October 1997 in Kyrgyzstan.

D. United Nations Conference on Trade and Development

25. UNCTAD's analytical work and technical cooperation of benefit to economies in transition cover the following fields: (a) globalization and development strategies, including debt management and development of capital markets; (b) trade and commodities, including assistance on issues relating to the multilateral trading system and advice on accession to WTO, and assistance in the formulation of competition policies, risk management and commodity diversification; (c) investment, technology and enterprise development, including support for national policies promoting and attracting foreign investment and for promoting private-sector development, in particular concerning SMEs and privatization issues; and (d) services infrastructure for development and trade efficiency, customs modernization and reform, and development of human resources in general in the field of trade and related services.

26. UNCTAD is implementing projects to strengthen the capacity for the management of external debt in Armenia, Belarus and Uzbekistan, and a project in the Republic of Moldova on international financial markets and debt. It has also provided assistance to Belarus, Lithuania, the Russian Federation and Viet Nam in elaborating their approaches in the initial phase of accession to WTO.

27. In its resolution 49/102, the General Assembly requested UNCTAD to elaborate a programme for improving the efficiency of transit transport operations in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and their transit neighbours. UNCTAD has continued its work on this UNDP-financed project, together with other United Nations bodies and other international organizations. In 1997, a series of workshops was organized in all five countries to consider a draft regional transit transport framework agreement that would provide a regulatory foundation for transit operations in Central Asia. A draft was subsequently presented to the negotiating conference on the agreement.

28. Assistance under UNCTAD's programme on strengthening/streamlining agencies concerned with maximizing and promoting FDI was provided to the Albanian Centre for Foreign Investment Promotion. In addition, components of UNCTAD's Policy Framework for Attracting Foreign Investment have been implemented in Albania. In Uzbekistan, with the financial support of the Government of Switzerland and UNDP, UNCTAD is undertaking one of its series of investment policy reviews to evaluate the strengths and weaknesses of the national

system of innovation and production, which affects the attractiveness of a country to foreign investors.

29. A UNDP-financed project in Belarus, completed in 1997, supported the implementation of components of UNCTAD's programme on commercialization of science and technology, the objective of which is to obtain the maximum benefit from a country's scientific and technological capacity, particularly internationally.

30. UNCTAD's computerized customs management system (ASYCUDA) has been installed in over 95 locations in Romania, and covers 90 per cent of the country's trade. Fiscal analysis has already greatly benefited from increased availability of statistics. The system has also been integrated into the national computer network in the former Yugoslav Republic of Macedonia, and control of moving cargoes has been introduced through the manifest module. New ASYCUDA projects were signed with the three Baltic States in 1997.

31. UNCTAD also promotes trade through its Global Trade Point Network, which is a tool for the integration of SMEs into the global economy. A project on increasing the participation of Romanian SMEs in international trade through the establishment of a trade point in Bucharest was launched in 1997. Economies in transition are also able to benefit from UNCTAD's programme on electronic trading opportunities (ETOs), which distributes information on products, services, investment, joint ventures etc. collected from trade points and third-party information providers.[4] Data for 1997 showed that 86 per cent of users receive responses to their ETOs and 27 per cent of those conclude business deals on the basis of ETOs. In 50 per cent of the cases, the value of these transactions is less than $10,000; however, in 10 per cent of the cases, it is over $1,000,000.

32. The Governing Council of UNDP, in its decisions 90/34, 92/8 and 92/29 relating to the preparations for the fifth programme cycle (1997–2000), decided that the countries of the former USSR, Central and Eastern Europe and the Baltic States should participate as recipients of the UNDP programme. The Council further authorized the Administrator, in decision 92/43, to open a limited number of offices in the countries concerned. Despite resource constraints, UNDP has responded to the requests for assistance, and has opened programmes and offices in most of those countries, as well as a programme support unit at Bratislava. The core programme resources for the current programme cycle amount to $94.5 million, with approved non-core resources estimated as of mid-1998 at $149 million. For the previous cycle (1992–1996), the core resources were $57 million and non-core $175 million. For all countries in the region, a country cooperation framework has been prepared, which sets out the main thrust of the programme that will be supported during the remainder of the programming cycle, with 27 frameworks already approved.

33. The main emphasis of UNDP support has been to assist those countries in making the transition to a democratic free-market economy. To assess the cost of transition, UNDP launched the preparation of national human development reports in almost all countries of the region. The reports have looked at the transition not only in terms of economic efficiency but also in terms of its impact on human development. They are intended to provide comprehensive information about the economic, social and human development conditions in those countries, and have started a dialogue at the country and regional levels concerning the social impact of the transition process.

34. UNDP has also provided support for regional and country-specific activities in the area of democracy, governance and participation, focusing on democracy-building through human rights protection, establishment of ombudsmen institutions, development of mass media and information systems, and modernization of the judicial system. Aspects of management development, civil service reform and decentralization are dealt with in some UNDP work on governance. Other activities include training in the areas of foreign investment promotion and negotiation, and financial auditing and control at all levels.

35. Unlike other transition economies, most of the countries in Central and Eastern Europe and the Commonwealth of Independent States are suffering serious increases in poverty. A comparative analysis has been undertaken by UNDP to identify the nature of the most acute problems and what reforms have worked to date. The most urgent challenge facing the region is how to reverse the deterioration; a report has been prepared that acknowledges success stories in the region and indicates that many Governments have done as well as could be expected under the difficult prevailing circumstances.

E. United Nations Development Programme[5]

36. UNDP has devoted special efforts to help countries in transition to attract FDI. In addition to programmes designed to strengthen Government institutions, the judiciary and the parliament, UNDP has supported activities to improve policies, promote good governance and the rule of law, and strengthen the human resource base, all critical to the creation of a business-friendly environment. UNDP has also continued support for the Empretec Programme, which

promotes entrepreneurship and development of small and medium-sized enterprises in economies in transition.

37. A recent initiative at the global level is a proposal to have UNDP play a more catalytic role in the establishment of business advisory councils (BACs) in developing countries and in countries in transition.[6] The core of the concept is to build a three-way partnership between the corporate community, the national Government and the United Nations for the promotion of investments. Foreign and domestic investors, government representatives and UNDP would engage in a dialogue on policies and barriers related to private-sector development and investments in the country; national representatives would make commitments and be held accountable for the implementation of agreements.

38. One function of a BAC would be to bring to the attention of senior government officials the views of the business community on regulatory issues, bottlenecks and other hindrances in public administration, weaknesses in infrastructure and any other obstacles to new private foreign and domestic investments. The BAC should also serve as a forum where parties make commitments to address mutual challenges. For example, it could address issues of taxation, customs, the legal system, crime, corruption, international standards, privatization, shareholder rights, financial infrastructure, security systems, competition law, deregulation and other relevant issues. It could propose improvements in public administration procedures and comment on draft legislation.

39. To facilitate the work of the BAC and demonstrate its commitment to the creation of an effective enabling environment for private-sector development, the Government would enter into a compact with UNDP. This compact would articulate specific actions to be undertaken in the area of governance, as well as performance indicators to monitor progress. In return for the Government's commitment, UNDP would support and promote a revitalized dialogue between business and government. The exact content of the compact could vary from country to country.

40. If the business communities approve the proposal, pilot projects will be developed shortly in five countries, including Georgia among the transition economies.

41. In the former Yugoslav Republic of Macedonia, UNDP has designed a project to strengthen the national capacity to attract foreign investment, by assisting the setting up of a unit for investment promotion at the Ministry of Development, to be linked with UNIDO's World Investment Network Services. The project includes training staff of the unit, government officials and selected industrialists in the preparation and appraisal of investment projects and in promotion methods and strategies. In Croatia, UNDP has designed a preparatory assistance project to increase international awareness of the country's investment opportunities.

42. In Asia, UNDP has organized round tables at the regional level to deal with various issues cutting across countries and affecting FDI. Such meetings raise the level of awareness among policy makers of the growing economic interdependence within the region and its impact on individual countries. On behalf of UNDP, the Foreign Investment Advisory Service (FIAS) of the World Bank has organized for Asian countries (including transition economies) six such round tables for senior government officials responsible for private-sector investments and for prominent businessmen from within and outside the region. In Mongolia, FIAS is implementing a UNDP-funded project, consisting of three components: an investment promotion skills training programme, the development of an investor servicing strategy and the development of a comprehensive investment promotion strategy. The first two components were concluded in 1998, the third is scheduled for 1999. In Viet Nam, FIAS will undertake a project co-funded by UNDP in 1999 to improve the implementation of approved foreign investment projects.[7]

43. UNDP has also designed a programme to strengthen information exchange and develop capacity to address emerging macroeconomic issues in Mongolia and Viet Nam. Three workshops will bring together key economic officials from the subregion and other experts to discuss economic issues common to the subregion.

F. United Nations Environment Programme

44. In its decisions 17/27 and 18/24, the UNEP Governing Council requested UNEP to provide environmental assistance to economies in transition. This assistance involves the use of innovative economic instruments in the economic sector, and more generally, ensuring that economic development and environmental protection are mutually supportive and compatible.

G. United Nations Population Fund

45. UNFPA has provided funding for analytical studies of the demographic and reproductive health situation and trends in the economies in transition as a whole and a number of

individual countries. UNFPA has supported ECE research in the fields of fertility and family formation, ageing and international migration in order to study demographic trends. At the country level, it has provided funds for national institutions to undertake fertility and family surveys in Estonia, Latvia, Lithuania and Poland.

46. UNFPA has also provided financial and technical support to the development of reproductive health policies in economies in transition. Through policy dialogue, UNFPA representatives play an active role in pointing to the consequences of health reform processes and the need for integrating reproductive health issues into these processes.

47. The UNFPA programme of assistance for Kazakhstan, Azerbaijan, Tajikistan, Turkmenistan, Uzbekistan and Kyrgyzstan for the period 1995–1997 is providing some $14.8 million to assist those Governments in (a) promoting women's reproductive health (RH) and reducing the number of abortions; (b) contributing to family planning (FP) by making available quality RH/FP services, including counselling; (c) broadening contraceptive choice and enhancing the ability of individuals and couples to make informed RH decisions; and (d) increasing awareness at all levels of society of RH/FP and related issues. Subregional interventions have also been used to complement country-specific activities, when they concerned exchange of experiences among different countries.[8] UNFPA has also supported the preparatory activities for the upcoming national population and housing censuses, and has provided basic equipment, with a total value of about $660,000. In collaboration with the statistics units of the Secretariat, UNFPA, through its country support teams, organized a series of seminars and workshops, such as those held at Almaty on national population policy formulation and at Bishkek on population information systems.

H. Food and Agriculture Organization of the United Nations

48. Food and Agriculture Organization of the United Nations (FAO) activities in Central and Eastern Europe have focused on supporting these countries' efforts to restructure their national agriculture and to formulate agriculture and food strategies and policies. The FAO annual publication *State of Food and Agriculture* includes analysis of agricultural development policies in the economies in transition, with special reviews of Belarus, the Republic of Moldova and the Russian Federation in recent issues. Support is provided by the newly established policy assistance units in the regional and subregional offices for Europe, and FAO also provided substantive assistance for a meeting of ministers of agriculture from Central and Eastern European countries at Bucharest in 1996.

49. During 1996–1998, work was initiated to enhance understanding of the role of the agricultural sector during the transition, with comparative research conducted in Bulgaria, Poland and Slovakia; this is expected to be concluded in 1998. Data on off-farm income and linkages in agricultural development have also been collected and analysed for several economies. The European System of Cooperative Research Networks in Agriculture, which is supported by the FAO Regional Office for Europe, has contributed to decision-making regarding sustainable development in Central and Eastern European countries.

50. Technical cooperation projects on agricultural policies and strategies were carried out in Croatia, Estonia and Slovakia and are currently being carried out in Bosnia and Herzegovina; in the Republic of Moldova, a strategy for the grain sector is currently being elaborated. FAO also assisted the Albanian Ministry of Agriculture and Food in strengthening its agricultural policy analysis unit and in its reorganization.

51. Reorientation of policies and systemic changes to adjust to prevailing conditions in the EU and facilitating access to the EU, as well as follow-up to the Uruguay Round agreements, are other areas where member countries have requested technical support. Projects addressing access to the EU are being implemented in the Czech Republic and Slovenia. In March 1997, an FAO workshop on the theme "Experience in reforms and integration of European agriculture" was attended by 16 Central and Eastern European and CIS countries. FAO has also provided backstopping on trade policy issues to several countries, including the Czech Republic, the Republic of Moldova, Slovakia and Slovenia, and has provided assistance on commodity projections. A series of training seminars on the global grain economy was held in the Czech Republic and Lithuania.

52. FAO's Global Information and Early Warning System monitors and reports on the supply situation in Central and Eastern European countries. Three major assessment missions were carried out in the subregion, with the participation of the World Food Programme (WFP), UNDP and the European Community (EC). As an initial step towards systematic follow-up at the country level to the World Food Summit, FAO has prepared draft strategies for national agricultural development for each country of the subregion. These strategies provide, *inter alia*, estimates of

the net investment required to meet development objectives for the agricultural sector.

53. In the framework of the Special Programme for Food Security, assistance and policy advice were provided to Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kyrgyzstan, the former Yugoslav Republic of Macedonia and Turkmenistan, regarding constraints to technological innovation and investment requirements to meet food needs.

54. Projects on nutrition in CIS and Central and Eastern European countries involve the strengthening of national food control systems, reformulating national food regulations to bring them into line with international standards, and establishing import/export certification programmes. Several regional training courses have also been carried out to support these countries in ensuring safe national food supplies and in engaging effectively in international trade. In recognition of the heightened importance of the Codex Standards and Guidelines in the context of the Uruguay Round agreements, FAO has organized several workshops in the region to organize and strengthen national Codex committees.

55. During the 1996–1997 biennium, FAO prepared a number of investment projects and programmes for financing by the multilateral financing institutions; total investments mobilized for those projects amounted to some $411 million. FAO also assisted in the formulation of 12 investment projects in the agricultural sectors of Albania, Armenia, Bosnia and Herzegovina, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, the Republic of Moldova and the former Yugoslav Republic of Macedonia; preparations have been completed for nine of those projects.

I. United Nations Educational, Scientific and Cultural Organization

56. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has aimed to facilitate the reforms being carried out in the economies in transition with a view to consolidating democracy, guaranteeing human rights and ensuring sustainable development in the economic, social, scientific, information and cultural fields. It supported a conference on the development of cultural life in the countries of Central and Eastern Europe (Budapest, January 1997) and a European seminar on promoting independent and pluralistic media, with a special focus on Central and Eastern European countries (Sofia, September 1997).

57. UNESCO is assisting Albania and Bosnia and Herzegovina to strengthen their capacities to analyse their education systems, draw up policies and elaborate national programmes. UNESCO's European Centre for Higher Education at Bucharest is a direct participant in the process of transition, through its work on such issues as quality assurance and accreditation, and the recognition of higher education qualifications. The International Institute for Educational Planning at Paris and the UNESCO Institute for Education at Hamburg are working on reinforcing national capacities in policy planning and management and evaluation of education.

58. In 1997, UNESCO helped to design a project for a regional translation network, using new communication technologies that would offer a practical and cost-effective way towards meeting the need for access to knowledge and skills in a variety of domains, such as banking and commerce, law, science and technology. Assistance was provided through the establishment of a UNESCO Chair in Translation Studies (Multilingual communication in specialized environments) at Comenius University, Slovak Republic.

59. UNESCO's Programme for Management of Social Transformations has developed a research project to provide policy analysis on the management of long-term unemployment. A research network focusing on long-term unemployment, impoverishment and crime waves has been established. Two international seminars have been organised at Sofia in close cooperation with UNDP national offices, and a policy paper is being published.

60. Two projects in the Russian Federation – the Hermitage/UNESCO project and the Bolshoi/UNESCO project – are particularly concerned with new patterns of management, marketing, public relations and fund-raising. A project for the State Hermitage Museum at St. Petersburg, financed by a contribution from the Netherlands, was concluded at the end of 1997. In view of its success, the Government of the Netherlands has made an additional contribution for a new phase of the project. The Bolshoi/UNESCO project is a partnership of public and private contributors to help revitalize the Bolshoi theatre. During 1996–1997, UNESCO continued to provide technical advice throughout the conceptual and design stages, and helped in the decision-making process by organizing study tours of selected European opera houses and theatres and of producers of theatrical equipment.

J. International Civil Aviation Organization

61. The International Civil Aviation Organization (ICAO), in formulating and implementing its technical cooperation activities for economies in transition, has concentrated on the development of civil aviation master plans and the transformation of civil aviation departments into civil aviation authorities with full financial autonomy. The objective is to ensure that these authorities are able to operate in market environments in which capital expenditures are usually covered by income derived from operations; such arrangements should be conducive to foreign investment.

K. World Health Organization

62. In order to respond to the needs of the economies in transition, the World Health Organization (WHO) Regional Office for Europe has strengthened its analytical capacity and policy guidance. The EUROHEALTH programme (launched in 1990) provides assistance to Central and Eastern European countries and the CIS. The aim is to ensure improvements in the health situation in those countries, and to provide a basis on which the donor community can make decisions regarding their assistance to the health sector. A task force on country health development is looking at ways of strengthening WHO support to these countries and strengthening the analytical capabilities of the programme. The programme is managed from the Regional Office but executed through a network of 24 WHO liaison offices and four advisers at the country level. The Office has produced a number of products and programmes, including "Country highlights" and "The patient in focus", a strategy for pharmaceutical sector reform. In addition, it has produced various data and documents that are accessible on the Internet.

L. World Bank

63. In partnership with others, the World Bank is coordinating strategies and sectoral approaches to help Central European and Baltic countries meet the challenges of joining the EU. The Bank is working closely with countries to identify policy reforms that will enhance economic growth and facilitate EU accession, as well as to help devise strategies for minimizing the costs of reforms.

64. In the face of diverse country situations, the Bank's assistance strategy has reflected countries' unique needs and their progress in meeting the challenges of transition. Several economies in transition that experienced crises in early 1997 are showing strong signs of recovery. In Albania, the Government moved quickly to restore stability, with support from the Bank and other international donors, after major civil disturbances in early 1997 followed the collapse of the pyramid schemes. Romania's reform programme also made a good start in 1997, as prices were liberalized and directed credit was ended; although progress faltered by early 1998, the Bank continued to support investments in key areas to underpin long-term development.

65. In the Russian Federation and Ukraine, the World Bank has supported structural reforms aimed at sustained and predictable reductions in fiscal deficits. With Bank support, both Kazakhstan and the Russian Federation are improving tax administration and budget management. The Russian Federation has taken several major steps to improve tax collection, including the termination of non-cash arrangements for clearing arrears and actions against large, high-profile tax debtors. Bank-financed adjustment operations in Armenia, Azerbaijan, Georgia, and the Russian Federation are increasing payment rates in power-sector and energy-sector public utilities.

66. World Bank adjustment loans are supporting small-scale privatization in Bosnia and Herzegovina and accelerating privatization of medium-scale and large-scale enterprises in Armenia, Azerbaijan, Georgia and the Russian Federation. A structural adjustment loan in the Russian Federation is facilitating more transparent, open, and competitive case-by-case privatization transactions. It is complemented by analytical work examining ways to improve corporate governance, enhance enterprise restructuring and increase competition in the industrial sector. With World Bank support, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, the Republic of Moldova and the Russian Federation are privatizing or liquidating troubled banks and improving accounting practices, prudential regulation and supervision of the banking sector. A lesson from the East Asian crisis is that under these circumstances, countries must establish good prudential and supervisory frameworks to avoid the risk of collapse of their financial systems: the Bank is supporting these efforts.

67. Supporting reconstruction after conflict has remained a major Bank activity. With internationally supported reconstruction efforts under way, the Bank's support in Bosnia and Herzegovina has increasingly focused on macroeconomic institution-building and the reforms needed in transition to a market economy. Two adjustment loans that focused on fiscal management and private-sector development were complemented by reconstruction support

for agriculture, education, electric power, gas, housing, transport and water supply.

68. To combat corruption and improve public-sector performance, the Bank is helping Governments in Albania, Georgia, Latvia, and Ukraine to formulate anti-corruption strategies. The strategies typically include accelerating such measures as deregulation and tax simplification, civil service reform, reform of public procurement and auditing policies, legal and judicial reform, and strengthening public oversight mechanisms.

69. The Municipal Finance Initiative, an undertaking that includes the Economic Development Institute and the International Finance Corporation, is helping municipalities and other subnational entities in the region to tap financial markets. The programme aims at developing stable, fiscally sustainable decentralized frameworks, as well as the laws and regulations necessary both for private-sector participation in local infrastructure and services and for open, diversified and competitive subnational credit markets. Under the Initiative, new non-sovereign financial products are being tailored to meet the needs of a wide spectrum of municipal conditions. Country programmes have been identified, and implementation has begun in Hungary and Romania.

70. World Bank support for education reform in the economies in transition expanded significantly in fiscal 1998, with projects in Armenia, Bosnia and Herzegovina, Hungary, the former Republic of Macedonia and Romania. These activities are aimed at ensuring that education systems respond to the needs of labour markets, and that resources for education are adequate and used effectively. Two projects in Hungary are helping to reform higher and vocational education, and Bank sector work is analysing policy options for reforming the Russian Federation's vocational educational system. Adjustment loans in Armenia and Georgia have protected expenditure in the social sectors while increasing cost-effectiveness.

M. International Monetary Fund

71. The Fund has continued to provide financial support for economic stabilization and reform programmes in most of the transition economies over the past few years. Since 1990, this assistance has been provided through several different facilities, including special drawing rights (SDR) 24.6 billion under regular Stand-By Arrangements (SBAs) and the Extended Fund Facility (EFF); SDR 4.0 billion under the special, now expired, Systemic Transformation Facility (STF); SDR 0.5 billion under the Enhanced Structural Adjustment Facility (ESAF); and SDR 0.1 billion under the Compensatory and Contingency Financing Facility (CCFF) and the post-conflict emergency facility. The size of the Fund's financial support and the conditionality attached to it vary according to the nature of the macroeconomic and structural problems that the member seeks to address and the Fund facility designed to meet this need. SBAs typically cover periods of one or two years, and focus on macroeconomic policies aimed at overcoming short-term balance of payments difficulties, while EFF arrangements generally cover three-year periods and are designed to address both macroeconomic as well as structural problems. Under ESAF arrangements, the Fund provides resources on concessional terms (0.5 per cent interest with repayments in 5.5 to 10 years) to support medium-term macroeconomic adjustment and structural reforms in low-income countries facing protracted balance of payments problems. All Fund programmes are closely monitored, and disbursements are made in several tranches, depending upon a country's performance in implementing agreed policies, reaching agreed macroeconomic benchmarks or undertaking agreed structural reforms. All decisions on such Fund programmes are taken by its 24-member Executive Board, which meets at least three times per week in formal session throughout the year, and which represents the views of the Fund's 182 members.

72. In addition to financial support, the Fund has undertaken technical cooperation activities in economies in transition in three broad areas: (a) design and implementation of fiscal and monetary policies; (b) institution-building, such as the development of central banks, treasuries, tax and customs departments and statistical services; and (c) drafting and review of economic and financial legislation. This collaboration has included joint financing with the EU, UNDP, the World Bank, central banks and bilateral partners. The Fund has also attached importance to helping with the training of officials responsible for the management and implementation of economic policy, especially through the Joint Vienna Institute (JVI) established in 1992. JVI has provided training to over 10,000 officials from 30 transition countries, both in Vienna as well as at its regional centres at Prague, Kiev, Moscow and Tashkent. The courses are specially tailored to the needs of transition countries, and focus on "best practices" in macroeconomic and financial management drawing on a wide variety of country experiences. Co-sponsored by the Bank for International Settlements, EBRD, the International Bank for Reconstruction and Development and the Organisation for Economic Cooperation and Development, JVI has received financial

support from Belgium, Canada, France, Finland, Iceland, the Netherlands, Norway and Sweden.

N. Universal Postal Union

73. The position of Universal Postal Union (UPU) Regional Adviser for the countries of Europe and the CIS was established in January 1996, with an office at Bratislava. The priority tasks for the Regional Adviser are to formulate assistance projects, raise awareness and seek supplementary financing.

74. UPU sponsored the preparation of the publication *Guidelines for Postal Legislation and Restructuring*, which was distributed to postal administrations. UPU and the World Bank undertook a collaborative study in 1996 entitled "Redirecting mail: postal reform". The purpose of the study, which was distributed to all postal administrations, was to create awareness in the financial community and among policy makers of the rationale for postal reform.

75. UPU has increased the resources allocated to economies in transition in its technical cooperation programme for 1996–2000. Activities financed by UPU's own resources are being carried out in Albania, Azerbaijan, the Baltic countries (a subregional project), Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, the Republic of Moldova, Slovakia, Tajikistan, Ukraine, the former Yugoslav Republic of Macedonia and Yugoslavia. Several specialized training activities and workshops have been organized for the postal services of these countries. Their representatives also took part in high-level forums organized by UPU; these focused on different aspects of postal-sector reform and future development strategies, foreign investment possibilities and other strategic topics. UNDP-financed projects to improve postal services are ongoing in Armenia and Turkmenistan; several preparatory assistance projects are also being carried out by UPU with UNDP funds.

O. World Meteorological Organization

76. The WMO Technical Cooperation Programme is dedicated to the improvement of the national meteorological and hydrological services (NMHSs) of all member countries. UNDP funding has had an important role in enabling WMO to achieve this objective, although the reordering of priorities in recent years has reduced drastically the funds available to WMO to support NMHSs of countries where assistance is still urgently needed. WMO has taken several steps to reverse this situation, and has changed its approach to technical cooperation, mainly through the mobilization of new resources, at the national and international levels. In the CIS, WMO cooperates closely with the Intergovernmental Council of Hydrometeorology in its activities.

P. International Maritime Organization

77. A review of the maritime needs of the economies in transition in December 1995 and January 1996 identified priority areas as being the strengthening of national and regional maritime institutions, the ratification of International Maritime Organization (IMO) conventions, the updating of national maritime codes and the improvement of training facilities for seafarers. In order to provide a foundation for subregional cooperation regarding the protection of the marine environment, the two areas highlighted were improved reception facilities for the collection of ships' waste and regularizing national procedures for responding to oil spills. IMO has also drawn up a major programme for the provision and improvement of reception facilities in ports located in the Baltic Sea. Other programmes focus on development of the subregional contingency plan for oil spills.

Q. World Intellectual Property Organization

78. WIPO is expanding its programme of technical cooperation on legal matters with economies in transition that are undertaking reform of their intellectual property systems and legislation. These countries face problems in the protection and use of intellectual property rights; this is particularly manifested in the insufficient use of modern technical means of industrial property information and the lack, in several countries, of institutions for the administration and management of copyright and related rights.

R. International Fund for Agriculture and Development

79. IFAD has nine projects in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia and the former Yugoslav Republic of Macedonia. Total IFAD funds approved for the region, since the first IFAD loan to Albania was approved in 1993, stand at $86 million for projects with a total cost of $235 million. For the remainder of 1998 and the 1999–2000 period, IFAD is considering additional

investments of about $73.5 million in Albania, Azerbaijan, Bosnia, Georgia, the former Yugoslav Republic of Macedonia, the Republic of Moldova and Romania.

80. IFAD is currently developing Country Strategy and Operations Policy Papers for each member country, drawing on the lessons of experience. These overviews of macroeconomic trends, constraints and opportunities in agriculture and rural development and trends in rural poverty, together with a review of the experiences of other institutions and with the identification of opportunities for linkages with multilateral, bilateral and non-governmental agencies, will be considered as a basis for future IFAD lending.

S. United Nations Industrial Development Organization

81. UNIDO has given particular attention to providing policy advice and technical cooperation to the economies in transition since its General Conference at Yaoundé in 1993, and has oriented this work to respond to General Assembly resolutions 49/106 and 51/175. In so doing, UNIDO has undertaken efforts to customize its services to the specific conditions of individual economies in transition. Policy advice and technical cooperation are focusing on industrial governance, industrial export capacity-building, quality and certification for industrial competitiveness, international industrial partnership and local industrial development.

82. Activities are being directed primarily to support institutions rather than individual enterprises, thus emphasizing upstream activities, such as policy advisory services and institutional capacity-building. Support is being provided for the development of SMEs as the principal means for achieving equitable and sustainable industrial development.

83. In 1997, UNIDO's technical cooperation delivery to the region reached $8.5 million (10.4 per cent of the UNIDO total). Despite difficulties in financing programmes, new approvals ($9.9 million) were higher than in any previous year except 1996.

84. In its work on industrial strategy and policy advice, UNIDO aims to achieve synergy among all parties involved in industrial policy and decision-making. For example, UNIDO commenced assistance to Bulgaria to adapt its business education curricula to the requirements of a market economy, as well as to produce positive attitudes towards private enterprise on the part of employers and employees. Recognizing the important role of local and regional development initiatives in transition, a workshop was held on strategies and policies for regional development.

85. With regard to environmental concerns, a project in Croatia was initiated to develop cleaner production by using capacities and expertise from the Czech Republic, themselves created in part through previous UNIDO activities. Georgia was assisted in preparing a project to reduce pollution from the Tbilisi thermal power plant and to increase fuel efficiency. This project can serve as a model for others in Georgia or other CIS countries. A regional project has enabled authorities and managers from Belarus, the Russian Federation and Ukraine to get acquainted with modern planning methods for water management in large industrial plants. In support of the Montreal Protocol, projects in Bosnia and Herzegovina, Croatia, Romania and the former Yugoslav Republic of Macedonia have targeted ozone-depleting substances.

86. To enhance the competitiveness of small and medium industries (SMIs), a project financed by the European Union initiated an industrial subcontracting and partnership exchange in Prague to provide information and advisory services to SMIs in the Czech Republic and to promote agreements with foreign partners. UNIDO also provided support to Kyrgyzstan by assisting the start-up and initial operation of a small-business development centre in Bishkek. A new project in the Russian Federation will strengthen the capacity and capabilities of women managers and entrepreneurs to participate in market economy-oriented activities. Work also continued under a UNDP-financed programme for the establishment and support of national SMI projects in several countries in the Balkans, the Caucasus and Central Asia.

87. In industrial information, investment and technology promotion, a project was initiated to set up three business development centres in Bosnia and Herzegovina. In the former Yugoslav Republic of Macedonia, UNIDO-supported activities to attract FDI include the establishment of an investment promotion unit at the Ministry of Development, to be linked with the UNIDO World Investment Network Service; staff training; and dissemination of the UNIDO *Investor's Guide*. Advisory services were also provided to the Republic of Moldova for the establishment of an investment promotion agency. A programme of assistance to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan is designed to strengthen information, technology and investment-promotion capacities. A project on business partnerships and investment opportunities in food-processing and agro-industries in the Russian Federation is under implementation. Activities in Ukraine have supported entrepreneurs in acquiring technologies from

Austria, Belgium, Greece, the United Kingdom of Great Britain and Northern Ireland and Central and Eastern European countries.

88. As part of its overall investment promotion network, UNIDO has investment promotion offices at Warsaw and Moscow.[9] The Warsaw Office has been actively involved in distributing information on credit lines available from international and national sources for Polish firms, in the organization of three domestic economic conferences for more than 6,000 participants, and in a series of five regional credit and investment meetings, each for 200 to 400 Polish firms. Recent examples are an economic forum Poland/South-East Asia, held in September 1996, and an economic forum Poland/Latin America, held in November 1997. In addition, the Office has organized training courses on financial restructuring and on techniques for preparing business plans, and has established a computerized data bank of Polish companies and potential foreign investors. There has been some $200 million of foreign investment in Poland over the past six years, and projects of cooperation with developing countries valued at some $22 million.

89. The assistance provided by the Moscow Centre includes the identification, formulation, screening and appraisal of investment and technology transfer projects, the financial analysis of projects, project promotion, and match-making between the Russian Federation and foreign partners. The Centre manages several data banks on investment projects and foreign partners.

T. International Atomic Energy Agency

90. IAEA has expanded its assistance to the economies in transition in developing national legislation in the nuclear field. In 1997, a technical cooperation project entitled "Legislative assistance for the utilization of nuclear energy" was established; its main purpose is to support member States in their efforts to establish, develop or review their national law and regulations governing the safe and peaceful uses of nuclear energy.

91. The Agency has also been active in urging adherence by member States to international agreements in the nuclear field, and has assisted member States in adopting legislation for implementing such instruments. Special attention has been given to liability for nuclear damage; this has facilitated international cooperation in upgrading nuclear safety in the economies in transition, including the participation of both the public and private sectors.

Notes

[1] Organized by the United Nations, in collaboration with the Population and Family Study Centre and the Flemish Scientific Institute.

[2] United Nations publication, Sales No. E/R.94.XVII.4.

[3] A detailed list of the activities of ECE regional advisers, as well as a list of workshops, seminars, study tours and training courses which have taken place since April 1997, including activities to which ECE has contributed or given support, are available by E-mail from the ECE secretariat at Geneva.

[4] It is estimated that ETOs reach over 7 million companies around the world every day; in December 1997, the ETO listserver ranked among the top 20 Internet sites by number of messages delivered daily (see http://www.1soft.com/1top/LTOP-199712.html#TOPBYDELIV).

[5] In addition to the activities noted in this section, UNDP has funded many large projects executed by other organizations of the United Nations system, some of which are discussed in the sections on those organizations.

[6] Such a proposal was made by Mr. Percy Barnevik, Chairman of the Board of ABB ASEA Brown Boveri Ltd., in a letter to the Secretary-General of the United Nations in November 1997.

[7] The Vietnamese Government has made particular efforts to improve the processing of applications; as a result, many projects have been approved over the eight years since the first major reform in this area was introduced. However, the delivery of these projects is only about 30 per cent. The Government has requested FIAS assistance in identifying the major problems affecting implementation and formulation, which should lead to a significantly faster rate of implementation.

[8] UNFPA assistance complements the assistance provided by major donors active in the region, particularly the World Bank, Gemeinschaft fur Technische Zusammenarbeitung and the United States Agency for International Development.

[9] The UNIDO offices at Warsaw and Moscow were established in 1983 and 1989 respectively; they promote the mobilization of foreign investment resources, such as finance, technology, know-how, market access and management, to the home country, and from the home country to developing countries and countries in transition.